Intellectual Property and Financial Markets Law in Comparative Context

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Tiivistelmä – Referat – Abstract

This thesis is about Intellectual Property and Financial Markets Law in comparative context – differences and similarities between the European Union and the United States in Patent Law, Copyright Law, Trademark Law, Banking Law, and Securities Law.

Therefore, the covered areas of law are:

Differences and similarities between the European Union and the United States in financial markets law: banking law, and securities law.

Differences and similarities between the European Union and the United States in intellectual property law: patent law, copyright law, and trademark law.

The thesis offers a fairly comprehensive yet summarized analysis of the differences and similarities of the EU and the U.S. in the fields of financial markets law and intellectual property law.

This thesis can serve as a general overview to business people, policy makers, lawyers and judges dealing with the covered areas of law. For instance, corporate lawyers considering whether to initiate the IPO process in the U.S. or within the EU in his/her client's behalf, companies considering the pros and cons of either filing for a patent in the U.S. or in an EU member state, and so forth could find the insights from this comparative study useful. This 80 pages thesis does not naturally replace seeking legal advice from experts in financial markets law and intellectual property law, since all the nuances of financial markets law and intellectual property law could not be covered in this study.

This thesis can also be useful for legal scholars since the approach adopted in this study to include more than a legal concept or field of law exemplifies that conducting comparison on a wider scale, 'meso-level comparison', can be a fruitful approach to gain an overall picture of the differences and similarities of fields of law while enabling comparisons both within regions/countries as well as within fields of law themselves. Such additional comparative aspect can under some circumstances lead to unanticipated yet useful insights that might have otherwise been overlooked. For example, due to this approach one of the findings of this study among others includes that similarities in financial markets law and intellectual property law are partly explained by international harmonization efforts.

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intellectual property law, financial markets law, patent law, copyright law, trademark law, banking law, securities law, comparative law

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List of Abbreviations

BRRD	Bank Recovery and Resolution Directive
CRDIV	Capital Requirement Directive IV
CRR	Capital Requirements Regulation
CJEU	Court of Justice of the European Union
CFR	Code of Federal Regulations
CMU	Capital Markets Union
DGS	Common Deposit Guarantee Scheme
EBU	European Banking Union
EC	European Community
ECB	European Central Bank
EDIS	European Deposit Insurance Scheme
EEA	European Economic Area
EU	European Union
EPC	European Patent Convention
EPO	European Patent Office
ESMA	European Securities and Markets Authority
EUIPO	European Union Intellectual Property Office
EUTMR	European Union Trade Mark Regulation
Fed. Cir.	Federal Circuit
Fed	Federal Reserve
FDIC	Federal Deposit Insurance Corporation
FSOC	Financial Stability Oversight Council
ICO	Initial Coin Offering
IOSCO	International Organization of Securities Commissions
IP	Intellectual Property
IPR	Intellectual Property Right
MAR	Market Abuse Regulation
MiFID II	Markets in Financial Instruments Directive II
NCA	National Competent Authority
OCC	Office of the Comptroller of the Currency
Pub. L.	Public Laws
S.Ct.	Supreme Court of the United States
SEC	US Securities and Exchange Commission

SIFI	Systematically important financial institution
SMEs	Small- and Medium-Sized Enterprises
SRB	Single Resolution Board
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TFEU	Treaty on the Functioning of the European Union
TMD	Trade Mark Directive
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TMD	Trade Mark Directive
UK	United Kingdom
UN	United Nations
U.S.C.	United States Code
U.S.	United States
USPTO	United States Patent and Trademark Office
OJ	Official Journal of the European Union
WIPO	World Intellectual Property Organization
WTO	World Trade Organization

1. Introduction – Beyond Borders

Access to capital and incentive to innovate play an essential role for various actors engaged in global commerce. Access to financing facilitated by financial markets allows companies to grow their business, provide employment, and offer goods and services for consumers which in turn fuels economic development. Maintaining incentive to innovative through protection of intellectual property rights ensures that inventors, authors, and manufacturers can reap financial gains from their intellectual work while contributing to the advancement of the society.[1]

Yet the focus on national laws within a single country as the unit of analysis in legal scholarship provides insufficient understanding for global actors navigating outside the borders of their domicile. In addition to scholarship on international law, attempts to respond to the challenge of legal diversity include scholarship on global or transnational law and comparative law.[2] The increasing global interdependency and intensified European integration have challenged the traditional approach of comparative law with nation versus nation comparisons as the basic unit of analysis.[3] Although comparative law has historically been rooted in the Westphalian order of sovereign nations with fixed national borders, comparative law has been suggested to have evolved to a state where it can provide answers to law related questions in a world with increasingly blurring national borders.[4]

This study transcends borders twofold: first, by analyzing legal framework of IP and financial markets crossing national borders and secondly, by cutting through two distinct areas of law. This study tackles questions related to access to money and incentive to innovate, more specifically, this study adds to the streams of comparative legal literature on IP (intellectual property) and financial markets by comparing the legal frameworks of IP and financial markets in the EU and the U.S.

Previous studies have looked at some aspects of intellectual property rights (IPRs) or financial markets law in comparative context.[5] Even though individual fields of law in

[1] Pila and Torremans (2019) 3.
[2] Husa (2018) 39.
[3] See Paso and Eskola (2002) for a discussion on the methodological challenges posed by comparing EU to an individual nation in comparative law.
[4] Husa (2018) 40.
[5] For comparative IPR studies, see e.g. Song (2018:437–457) for a comparative study of geographical indications (GIs) in France, the EU, and China revealing the diversity of national approaches that are being developed to address GI protection within a trademark system. Dobrin and Chochia (2016) compared trademark exhaustion and parallel imports between the U.S. and the EU. For comparative financial markets

comparative context have been in the research agenda of comparatists, studies in comparative law covering more than one field of law have remained scarce. However, a handful of studies have compared more than one field of law, namely competition law and intellectual property law. Raju contrasted competition law and intellectual property law of the U.S., the EU, and India.[6] He found similarities in the fundamental objectives of competition law and intellectual property law, namely promotion of innovations and welfare of society, in all of these regions.[7] Raju concludes that the legislative framework is more advanced in EU and the U.S. so developing countries such as India should emulate the EU and the U.S. in formulating their IP and competition policies. However, Raju is quick to note that imitation should be carried out with adjustments to the specific economic and development goals of India. Akin to Raju, Czapracka analyzed the intersection of competition law and intellectual property rights from a comparative perspective.[8] Akin to this study, her choice of regions to be compared included the EU and the U.S.

This study sheds light to previously unanswered questions by drawing conclusions about similarities and differences between IP law and financial markets law in the EU and in the U.S. The main academic contributions of this study include systemizing commonalities and differences of IP law and financial markets law in the two jurisdictions with an emphasis on attempting to explicate the findings drawing on a pool of possible historical, political, or economic factors at play. I find that some of the similarities in IP law are attributable to international harmonization efforts and common historical roots while differences are explained among others by underlying theoretical differences of IP doctrine and differing aims of IPR protection as well as the divide concerning the role of statutory law and case law between the common law and Romano-Germanic law.

Akin to IP law, similarities in financial markets law are partly explained by international harmonization efforts arising from similar aims with regulation but also by interconnectedness of both economies. In both jurisdictions banking law has been shaped by crises and balancing acts between centralizing and decentralizing economic power. The differences in financial markets law stem from differences in investor base, differing levels of integration of capital markets, and existence of central regulatory authority. In banking

law studies, see e.g. Boskovic, Cerruti, and Noel (2010) who compared the EU and U.S. securities regulatory framework and Stoltenberg et al.'s (2011) study where they compared the developments of internal capital markets in the U.S. and the EU.

[6] Raju (2014) 1–18.

[7] ibid 18.

[8] Czapracka (2009) xii.

law, the U.S. banking union has developed gradually over the last two centuries whereas the European banking union has only recently been introduced as a means of furthering financial integration of the EU.

2. The Research Framework

In the next section I will introduce the aim of the study, the research questions, and the research method deployed. In conjunction with discussing the methodology, I will also engage in methodological reflections that may have an effect on the conclusions drawn in the study. I will also discuss the motivation underlying the choice of regions selected for the comparison. Lastly, I will present the limitations of the study that in narrowing the substantive law covered to sharpen the focus of the study.

2.1 The Purpose of the Study and Research Questions

As the title of the thesis indicates, the purpose of this study is to explore IP and financial markets law in comparative context. More specifically, I will juxtapose legislative framework of IP law and financial markets law in the European Union (EU) to that of the United States (U.S.). The guiding research question of this study is then to discover *to what extent do IP law and financial markets law in the European Union and in the United States resemble each other and to what extent they differ*? In addition to detecting differences and similarities concerning IP law and financial markets law between these two territories, I aim to address also the following research question: *what possible factors explain similarities and differences in IP law and financial markets law in the European Union and in the United States?* Whereas the first research question mainly focuses on *what* are the differences and similarities, the second research question is about *why*, specifically, which reasons might explain the findings of the first research question. With such formulation of the research questions, both questions act in a symbiotic relationship complementing each other.

2.2 Comparative Method

Since IP law and financial markets law in the EU and the U.S. will be explored for differences and similarities, the very setting of this study is comparative. Without delving deeper into the scholarly debate on the exact nature of comparative law, in this study I will regard comparative law both as a research method and as an academic discipline.[9] I will

[9] For a discussion on the nature of comparative law as a research branch or a method, see e.g. Bogdan (1993) 24–26, Gutteridge (1949) 4–5, Hahto (2001) 1290–1308, and more recently, Husa (2015:17) who notes that

employ a comparative research method to align the aim and the research questions with the methodology of this study.[10] The methodological choice in favor of comparative law is further motivated by the openness characteristic of the comparative law of 21st century as this research method currently contains more degrees of freedom regarding both theory and methodology compared to more traditional approaches to studying law, such as legal dogmatics.[11]

In the absence of a standardized way of conducting and writing up comparative legal research, 'boilerplate'[12], transparency of this particular study is increased by motivating and describing the methodological choices made.[13] Methodological and theoretical freedom inherent in comparative law enable seeking answers to the research questions of this study with a customized approach while adhering to the basic approach of comparative legal method as described by the pioneering comparatist Schlesinger, that is identifying similarities and differences and attempting to explain reasons for the found differences and similarities.[14] More specifically, I will to great extent follow Siems' four-phase model of steps required to conduct a comparative study.[15] Having first decided on the research questions and the legal systems to be compared, I will describe some major characteristics of IP law in the EU and in the U.S followed by a description of financial markets law in the EU and the U.S. I will concentrate on written authoritative texts from the EU and the U.S. I will refer to legislation but also to court cases mostly from the European Court of Justice (CJEU) and the U.S. Supreme Court. To complement understanding of IP law and financial

comparative law can be regarded both as a legal field of study or as a method depending on the purpose of the comparison.

[10] Prominent scholars in the field have emphasized that instead of a comparative law method, we should view comparative law as a bundle of comparative law methods (Örücü 2006:445–446; see also Husa 2017:1092, 1102). The comparative law method deployed in this study is only one of many possible methods to label under 'comparative law method'. Husa (2011:254) goes as far as to argue that in addition to comparative law, legal pluralism has also penetrated the realm of doctrinal study which in turn requires methodological pluralism.

[11] Husa (2013) 26–27. See also Husa (2015) 1.

[12] The metaphor of boilerplate derives from the editor of Academy of Management Journal, Pratt (2009), who has attempted to demystify the process of writing up qualitative research in his editorial. Akin to comparative law, qualitative research in organizational studies does not adhere to a single orthodox way of reporting research results in academic publications. However, the methodological freedom implies neither in organizational studies nor in comparative law that 'anything goes' as Husa (2015:1; 2010:709; 2006:1096) has throughout the years repeatedly emphasized. Ultimately, the legitimacy of a given study is determined by the peers in the academic field.

[13] Van Gestel, Micklitz, and Maduro (2012:17) have called for improved disclosure regarding the methodology deployed in legal studies. Although their criticism certainly has some merit, I suspect that a novice legal scholar would find it hard to realize the task they demand merely on the basis of van Gestel et al.'s (2012) working paper because they do not provide sufficiently concrete steps.

[14] Schlesinger (1995) 477.

[15] Siems (2018) 15.

markets law and to avoid the pitfall of reducing the analysis to mere case law journalism, I will also review legal research covering doctrine on EU law and U.S. law when necessary.[16] The description of the laws will be followed by a comparison of the laws in both regions. Then I will explore possible reasons for detected similarities and differences.

This study is guided by a spirit of inquiry instead of authority orientation in the sense that, as stated above, after the review and comparison of relevant authoritative texts from both nations/regions, I will aim to explain the found differences and similarities with a multidisciplinary approach.[17] By attempting to make sense of the results of the comparison with an interdisciplinary approach instead of merely adhering to legal dogmatism, I aim to integrate an external view to law instead of an internal view to arrive at more plausible explanations for the detected differences and similarities. Finally, I will compile the main themes emerging from the study with illustrative examples and evaluate whether they contribute to increasing or decreasing similarities between the two jurisdictions.

Although lengthy reflexive disclosures with an analysis of the ontological and epistemological assumptions underlying the study are beyond the scope of this study, I will give heed to the exhortation of van Gestel and Micklitz to make my preconceptions of this research more explicit.[18] I aim at an awareness of my own role as a researcher who by engaging with the material, simultaneously creates her own interpretations of the material and reinterprets what others have in turn interpreted. The reality constructed in this study is unavoidably imprinted by my Nordic legal cultural background. The description of the U.S. law in this study is from my perspective *Auslandsrechtskunde* whereas the EU law corresponds to some extent *Inlandsrechtskunde*.[19] This implies that the re-presentation of

[16] Schlag (2009:821) has heavily criticized U.S. legal research for its excessive focus on commenting on judicial decisions. Van Gestel and Micklitz (2014:298) have noted that legal scholars in Europe run a similar risk of resorting to case law journalism when it comes to CJEU's case law.

[17] The reference to spirit of inquiry is inspired by Samuel´s (2007:236) call for comparative lawyers to operate both within the authority tradition as well as outside the authority tradition, what he refers to as spirit of inquiry, to avoid amateurish comparison. Riles (2006:775–801) has labeled this dichotomy as insider and outsider perspective, insiders referring to participants and outsiders to critics. Although agreeing with Samuel (2007) on the need for comparative lawyers to assume roles both as an insider and outsider, Patrignani (2017:64–65) problematizes this dichotomy as too simplistic. She asserts that a comparatist is neither a total insider with full knowledge of the domestic law nor a mere outsider observing the foreign law with ignorance.

[18] Van Gestel and Micklitz (2014) 313.

[19] The author's home country is Finland, an EU member state since 1995. EU law and national law of EU member states are still distinct legal orders, they have become interwoven, for instance through principles such as direct applicability and direct effect, to the degree that we can talk about a common legal system (Rosas and Armati, 2018:14–15). In the light of this, EU law is neither purely *Inlandsrechtskunde* nor *Auslandsrechtskunde.* For more on *Auslandsrechtskunde* and *Inlandsrechtskunde*, see Husa (2015) 147.

U.S. law in this study inevitably differs from a U.S. comparatist's re-presentation of his or her domestic law since the U.S. scholar would rely on his or her American assumptions.[20]

Although the conclusions presented in this study are mine, they also build on other thinkers' contributions as well as reflect my educational background in jurisprudence and business.[21] My extra-legal expertise certainly is ingrained in my *Vorverständnis*, pre-understanding, of the U.S. and EU law.[22] Needless to say, I do not carry out this comparative study without any preconceptions, *tabula rasa*, but instead my conclusions in this study are interpretations imposed by my *a priori* schemes. Despite of this, by disclosing some potential biases I turn at least some of the implicit assertions into explicit. Through such methodological reflections, I aim to increase transparency of this research. Simultaneously, I acknowledge that achieving full objectivity in this or in any other comparative law study, is not merely lofty but outright unrealistic a goal.[23]

2.3 Choice of Regions for Comparison

Van Gestel, Micklitz, and Maduro have lamented the lack of handbooks instructing how to choose legal systems for comparison.[24] Perhaps this is a natural outcome of the freedom celebrated by many comparatists. Against this background, I have taken the liberty to choose two legal systems whose laws and culture are most familiar to me through living and studying in these geographical regions. Despite of some insight into these legal systems, it would take a lifetime to truly familiarize myself with all the relevant laws of either of the

[20] Glanert (2012:69) asserts that methods are inherently subjective and speculative. Drawing on a host of French philosophers, she argues that since any representation is generated by a situated observer, a 'pure' description of law is utopist. Although Glanert's work offers a plausible alternative take on the role of method in comparative law with notion that the observer cannot be separated from the observed, her admonition for tangible change among comparatists is ambiguous: 'comparatists... should renounce coherence and consistency and turn themselves into dilettantes in search of aestheticization' (Glanert, 2010:80–81). What she is in fact advocating among comparatists is a paradigmatic shift from a functionalist, positivist paradigm (using the term positivism here how it is understood in sociology and not in legal theory) characterized by objectivity and rationality to interpretive paradigm with focus on subjective experience. Since changing one's scientific worldview is hardly effortless, a paradigmatic shift, aka epistemological break, has been likened to a spiritual conversion (Burrell and Morgan, 1979:24–25). See further Burrell and Morgan (1979:25–32) for differences in meta-theoretical assumptions underlying functionalist and interpretivist paradigms.

[21] This notion is best captured on the home page of Google Scholar where it reads: 'Stand on the shoulders of giants' (www.googlescholar.com). Naturally, on whose shoulders this study stands becomes evident in the sources used but my own reasoning has certainly been enriched by other thinkers whose ideas have become inseparable of my own.

[22] *Vorverständnis* refers to a person's inherent preconceptions and reasons behind his/her assumptions (van Gestel and Micklitz, 2014:308). See Hassemer (2005:93) for a more through explanation on this concept.

[23] For criticism on achieving objectivity in comparative law, see e.g. Legrand (2015:405–454) and Glanert (2012:61–81).

[24] Van Gestel, Micklitz, and Maduro (2012) 17.

chosen territories.[25] The territorial scope of this study encompasses two prominent players in the world arena, the EU and the U.S. As markets, both the EU and the U.S. are of substantial size and importance in a global scale even to the extent that we can talk about 'Europeanization' or 'Americanization' when describing their deep impact on the rest of the world.

Since both legal systems belong to the Western legal tradition, EU and U.S. IP and financial markets law lend themselves to a bilateral[26] comparative study. Despite similarities stemming from shared Western background, there are certainly vast differences between these legal systems; the EU is a supranational entity with *sui generis,* quasi-federal legal system comprised of 27 member states that are at the same time independent countries whereas the U.S. is both a federation of 50 states with their own legislatures, executives, and judiciaries and a nation.[27] Comparability of the EU and the U.S. legal system, achieving a common comparative denominator, *tertium comparationis,* is further enhanced by the fairly similar evolutionary stage of both legal systems in terms of economic, social, and legal aspects although according to today's standards of comparative law, fruitful comparisons could be carried out even between legal systems whose developmental stage differs.[28] On the other hand, the U.S. belongs to the common law system whereas member states of the EU belong for the most part to the Romano-Germanic law or 'civil law'. Belonging to different legal families has important ramifications for legal-cultural features of these systems as in common law the legal system is based on precedents that are binding in future decisions whereas in Romano-Germanic law the content of legal system stems from the norms of statutory, positive law.[29] This fundamental difference between the common law and the Romano-Germanic law will be of importance for this thesis, both when describing the legal framework of the EU and the U.S. as well as in attempts to explicate the found differences and similarities.

Intellectual property is a key resource for the EU and vital for its position in the global economy.[30] Roughly 29 per cent of all jobs in the EU during 2014–2016 were generated by IPR-intensive industries and almost 45% of EU gross national product (GDP) was generated

[25] See Patrignani (2017:65) for a discussion on how 'domestic' and 'foreign' can be relative terms in comparative law.
[26] In bilateral comparison two different legal systems are studied thoroughly (Husa, 2015:108).
[27] Michaels (2006) 69.
[28] Örücü (2006) 444–445.
[29] Husa (2015) 212–215.
[30] McMahon (2011) 1039.

in IPR-intensive industries.[31] Likewise, IP plays an important role for the U.S. economy which has come to be known as a vocal advocate of strong IPR protection. When it comes to financial markets, the EU and the U.S. form jointly 71 % of the world's capital market.[32] Against this background, the chosen fields of law, IP law and financial markets law, are of great importance to both of these legal systems which further makes selecting them for this comparative study a plausible choice. Furthermore, both IP and financial markets law are by nature fields of law that do not confound themselves strictly to intranational conditions but which have global reach.

2.4 Limitations

This type of comparative legal research covering broad tracks of substantive law is posed with the challenge of balancing breadth and depth. To address this, I will focus on patents, copyright, and trademarks, excluding the fourth major area of IP law, trade secrets. As covering all the major areas of IP law is beyond the scope of this study, I have decided to focus on the aforementioned three major areas of IP law to allow a more thorough analysis. I will, however, address international conventions on IP law such as the Bern and the Paris Convention and the TRIPS Agreement to the extent that describing them is necessary to comprehend the foundations of IP law of the EU and the United States. Secondly, in this study I will conduct a comparison of financial markets law in the EU and in the U.S. In the field of securities law, I will focus on what constitutes a security in both jurisdictions, prospectus regimes, and prohibition of insider trading. In banking regulation I will mostly focus on systemic regulation and to some extent conduct of business regulation while leaving micro prudential regulation and especially regulation of capital adequacy for another study.[33]

[31] IPR-intensive industries are defined as industries with an above-average ownership of IPRs per employee, as compared to other IPR-using industries (European Patent Office (EPO) and European Union Intellectual Property Office (EUIPO), 2019:8–9). In this study it was found that between 2014–2016 of all the jobs in the EU 22 % were in trade mark-intensive industries, 14 % in design-intensive industries, 11 % in patent-intensive industries, and lastly, 5,5 % in copyright-intensive industries.

[32] Stoltenberg et al. (2011) 580. This statistics stems from a pre Brexit time when the UK capital market still formed a part of the EU capital market.

[33] Systemic regulation refers to all public policy regulation under the financial safety net, in particular deposit insurance arrangements and the lender of last resort function, prudential regulation is focused on consumer protection through monitoring and supervising financial institutions with emphasis on asset quality and capital adequacy, and lastly, conduct of business regulation is concerned with how banks conduct their business (Casu, Girardone, and Molyneux, 2015:191).

2.5 Structure of the Thesis

This thesis is divided into five separate. In chapter 1 the topic of this research, IP and financial markets law in comparative context, is introduced. This is done in a fashion to demonstrate the added value of comparing two distinct yet connected fields of law. Chapter 2 includes the research framework. The research framework entails first, the purpose of the study as well as the research questions with appropriate motivations. Secondly, comparative law as a research method deployed in the study is introduced. Thirdly, the territorial scope of the thesis with its rationale is introduced. Lastly, the limitations of the study are outlined. The limitations serve an important role in sharpening the focus of this study which might otherwise become too extensive due to the vast substantive law covered in this study. Chapter 2 in conjunction with chapter 1 then lays the groundwork for the rest of the study.
Chapter 3 provides an overview of the chosen areas of IP law: patents, copyrights, and trademarks. After the general introduction into intellectual property rights, the legislative framework governing the chosen areas of IP law in the EU and the U.S. are reviewed in a subsequent order. Chapter 4 follows a similar order although the substantive law in focus is financial markets law. After a general overview of regulation of financial markets, the legislative framework for financial markets law, that is regulation on securities and banking, both in the EU and the U.S. is reviewed.

Chapter 5 forms the core of this comparative study as it includes the actual comparison. Namely, in chapter 5 the detected differences and similarities regarding IP law and financial markets law are analyzed, with focus on the most interesting differences and similarities since accounting for all the differences or respectively similarities would go beyond the scope of this study. The identification of main differences is accompanied by attempts to explain the found divergence. After reviewing the differences regarding both IP law and the financial markets law, I will instead focus on similarities between the two jurisdictions in question. Similarly, attempts to explain the detected similarities in the EU and the U.S. in IP law and financial markets law are made. I conclude the study by highlighting the main findings and presenting suggestions for further research building on this study.

Having made the structure of the study explicit, it is now time to turn to describing IP law and financial markets law both in the EU and in the U.S. This is a necessary phase to enable the study fulfill its main purposes, namely to compare legislation on IP and financial markets in the EU and the U.S. and perhaps even more importantly, attempts to draw conclusions about the found differences and similarities.

3. Intellectual Property Law in the EU and U.S.

3.1. Overview of Intellectual Property Rights

Intellectual property is, as the name gives indication to, useful information or knowledge created by intellectual endeavor.[34] Although intellectual property is a created within each nation, international law, has established guidelines for uniform definition and protection as well means to ease the owners to acquire rights in different countries.[35]

EU member states and the U.S. have ratified various international treaties affecting intellectual property laws. Berne Convention for the Protection of Literary and Artistic Works (the Berne Convention), administered by WIPO, protects literary and artistic works and it is the most influential international copyright convention.[36] The U.S. joined the Berne Convention as late as at the end of 1980s, reasons for this delay will be discussed more in depth in the section on the history of IPR in the U.S. Whereas the Berne Convention covers copyright, the Paris Convention encompasses industrial property.[37] Akin to many other major multilateral treaties concerning copyright, both the Berne and the Paris Convention are based on the principal of 'national treatment' that requires each member nation to treat national of other nations like their own for the purposes of copyright and industrial property rights.[38] The Paris Convention is especially known for the principle of priority, which means that an applicant for a trademark can within six months of the initial filing, file a corresponding application in any other member state of the Convention and obtain the benefits of the first filing.[39]

All the countries in the EU, and the U.S. are members of the World Trade Organization (WTO), thus adhering to TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights) that established a minimum level of protection of intellectual property rights.[40] However, the TRIPS Agreement allows WTO member states to nationally determine implementation which leads to national variations.[41]

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[34] August, Mayer, and Bixby (2013) 490.
[35] ibid.
[36] Berne Convention for the Protection of Literary and Artistic Works (as amended on September 28, 1979) [hereinafter Berne Convention].
[37] Paris Convention for the Protection of Industrial Property, March 20, 1888 July 14 (as revised at the Stockholm Revision Conference on July 14, 1967) [hereinafter Paris Convention].
[38] Articles 5(1), 5(3), Berne Convention; Paris Convention, Article 2(1).
[39] See Article 4 (A) (I) of the Paris Convention.
[40] Agreement on Trade-Related Aspects of Intellectual Property Rights (Marrakesh, Morocco, 15 April 1994) [hereinafter TRIPS Agreement].
[41] Reichman (1997) 13–14.

Intellectual property is typically divided into two main branches: artistic property and industrial property.[42] Artistic property includes artistic, literary, and musical works. The most common form of protection for artistic property are copyright and neighboring rights.[43] Of these I will only concentrate on copyright in this study. Copyrights refer to incorporeal statutory right that gives the author of an artistic work, for a limited period, the exclusive privilege of making copies of the work and publishing and selling the copies.[44] Copyright faces a dual challenge by balancing between providing sufficient protection to authors and right holders as well as accommodating the needs of the information society and the public concerned with access to content.[45]

Industrial property is in turn divided into two categories: invention and trademark.[46] Inventions encompass useful products as well as useful manufacturing processes.[47] The primary method of protecting and rewarding inventors is through patents.[48] A patent can be defined as an incorporeal statutory right that permits its owner, for a limited period, the exclusive right to use or sell a patented product or to use a patented method or process.[49] Most countries view that through patent protection for a limited time, innovation is encouraged which leads to benefits for the society as a whole.[50] In a United Nations study comparing patent laws of the world, it was found that patent laws attempt to cater to two competing goals: the private rights of inventors in the form of claims for recognition and economic advantages as well as the public's interest in promoting economic development and encouraging invention while allowing consumers to enjoy goods for fair value.[51] Patents can be classified into three types: 1) utility or invention patents referring to both product and process patents, 2) utility model or design patents, and 3) plant variety patents.[52]

Trademarks are perhaps the most omnipresent of the categories within the intellectual property. The traditional objective of trademarks was twofold: first, to protect producers from copycats who would deceive customers, and secondly, as a consequence of the first

[42] August, Mayer, and Bixby (2013) 490.
[43] ibid.
[44] ibid.
[45] Stamatoudi and Torremans (2014) 1.
[46] August, Mayer, and Bixby (2013) 490.
[47] ibid.
[48] ibid 505.
[49] Bouchoux (2012) 5.
[50] Article 12, TRIPS Agreement.
[51] UN Doc. E/3861 (1964) 10.
[52] August, Mayer, and Bixby (2013) 506.

objective, the marketplace would be protected as well.[53] Although there are specific universal norms regarding the recognition and protection of trademarks recognized both in the U.S. and within the EU, each system has its own nuances that need to be considered. Trademark include different kinds of markings such as 'true' trademarks, trade names, service marks, collective marks, and certification marks that indicate the ownership rights of manufacturers, merchants, and service establishment.[54] In practical terms, all of these categories are labeled under the term trademark.[55]

Although the details of legal regulation are a matter for national legislature, some fundamental features of protection for IPRs are to great extent, shared by all the EU member states and the U.S. and even the rest of the world.[56] For patents, this universality entails that to be patentable, an invention needs to novel, inventive, and industrially applicable.[57] To receive copyright protection, works need to have some degree of creativity or originality.[58] Trademarks in turn need to be sufficiently distinctive to identify and distinguish the commercial source of goods or services from another source.[59] In addition to these commonly shared substantive requirements, patents and trademarks usually require registration whereas no registration is required for copyright.[60]

3.2 Patent Law in the EU

Patents count perhaps as the least harmonized area of intellectual property laws in the EU if measured in terms of EU directives and regulations.[61] Currently there is no unitary patent system governing all the EU member states nor is there a unified patent court in Europe.[62] What is then understood as European patent law includes a fragmented legal system of national patents laws, conventions signed by European countries, and EU legislation and CJEU case law.[63]

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[53] Gerhardt (2010) 430.
[54] August, Mayer, and Bixby (2013) 490.
[55] ibid 512.
[56] Kur, Dreier, and Luginbuehl (2019) 3.
[57] ibid.
[58] ibid.
[59] ibid.
[60] The Berne Convention Article 5(2) even prohibits making copyright protection contingent on formalities. In the U.S. copyright can be acquired without registration but registration of copyright is required to enforce the author's exclusive rights through litigation, see 17 U.S.C. (United States Code) § 408–412.
[61] Currently the only substantive EU legal instrument harmonizing EU patent law is the 98/44/EC Council Directive on the legal protection of biotechnological inventions [1998] OJ L 213/13 [hereinafter the Biotech Directive]. A second patent directive in the field of computer-related technology was proposed in 2002 but if was rejected by a majority of the European Parliament in 2005 (Pila and Torremans 2019:114).
[62] Pila and Torremans (2019) 118.
[63] ibid 117.

3.2.1 Obtaining Patents in Europe

Obtaining a patent in Europe means either seeking the patent grant from a national patent office, through the centralized system of the European Patent Office (EPO) regulated by the supranational European Patent Convention (EPC) or through international route applying to WIPO, regulated by the Patent Cooperation Treaty (PCT).[64] Regardless of the path chosen for filing a patent in Europe, the end result is one or more national patents with effects only within the territory of the granting state(s) and regulated by national law.[65]

Only if and when the EU unitary patent system takes effect, will it be possible to obtain a single patent conferring equal and uniform protection throughout the territories of several EU member states.[66] Kur, Dreier, and Luginbuehl have lamented that the objective of establishing an integrated market in the EU has been severely hindered by lack of a common patent for the territory of the EU.[67] Similarly, Pila and Torremans have warned that failure to create a unitary patent system will leave the EU at a disadvantage compared to rivaling patent systems of Japan and the U.S.[68] Efforts to create an EU unitary patent system have been taken as 26 EU member states signed the agreement to the Unitary Patent and Unified Patent Court system in 2012/2013, the so called 'EU patent package'.[69] Reviewing reasons for the delay in executing the EU patent package is beyond the scope of this study, but suffice to say that problems have arisen due to member states' conflicting views on translation and judicial issues.[70] This again reflects the extraordinary legal order of the EU with traces of federation and the challenges associated with creating a unified union comprising of various EU member states with their own political, economic, and national interests.[71]

[64] ibid 102.
[65] ibid.
[66] Kur, Dreier, and Luginbuehl (2019) 98.
[67] ibid 99.
[68] Pila and Torremans (2019) 112.
[69] Regulation (EU) No 1257/2012 of the European Parliament and of the Council of 12 December implementing enhances cooperation in the area of the creation of unitary patent protection [2012], OJ L 361/1 (Unitary Patent Regulation), Council Regulation (EU) No 1260/2012 Council Regulation of 17 December 2012 implementing enhances cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements (Unitary Patent Regulation (Translation Arrangement 2012), OJ L 361/89; Agreement on a Unified Patent Court, OJ C 175/1 of 20.6.2013; OJ EPO 2013 et seq.
[70] Kur, Dreier, and Luginbuehl (2019) 99; Pila and Torremans (2019) 113.
[71] Rosas and Armati (2018:13) have argued that the EU is closer to a federation as opposed to a confederation although the EU displays features of both and even if Brexit reflects more the confederative nature of the EU. Whether the EU is closer to a federation or a confederation is in my view merely a question of nuance: it can be unequivocally concluded that the EU combines features of both, as well as possessing state-like and non-state like features.

European patents are granted by article 52(1) of the EPC for any inventions that are novel, inventive, and susceptible of industrial application. An invention is considered new under article 54 of the EPC if the invention does not belong to 'the state of the art'. Moreover, under article 56 of the EPC the invention needs to involve an inventive step, meaning that the invention is non-obvious to a person skilled in the art.

3.2.2 Exceptions to Patentability

Article 52(2) of the EPC excludes discoveries, scientific theories, mathematical methods, aesthetic creations, presentation of information, and computer programs. The term 'invention' from article 52(1) is defined as a negation of these aforementioned categories.[72] Under EPO case law, exclusion on computer programs applies to the computer program listings which should be instead protected by copyright.[73] Thus, a computer-implemented invention can be granted a patent only if it solves a technical problem in a novel and non-obvious manner.[74]

Article 53 of the EPC excludes a European patent from inventions whose commercial exploitation would be contrary to order public or morality.[75] In addition to morality-based exclusions, inventions related to plant or animal varieties or essentially biological processes for the production of plants or animals also fall out of the scope of patentability under the EPC.[76] Lastly, methods for treatment of the human or animal body by surgery or therapy and diagnostic methods on human or animal body are not deemed patentable under the EPC.[77]

3.2.3 CJEU Case Law: Brüstle and International Stem Cell Corporation

Since the harmonization of EU patent law has been nearly non-existent, also the relevant cases have remained scarce. Both of the following cases relate to the Biotech Directive, the main European legal response to the burgeoning field of biotechnology. In *Brüstle,* the CJEU held that human embryos used for technological or commercial purposes are not deemed patentable, interpreting widely the concept of 'human embryo'.[78] In a later judgment *International Stem Cell Corporation* (ISCC) the CJEU ruled that the stimulated ovum

[72] Pila (2005) 2.
[73] Pila and Torremans (2019) 157.
[74] ibid.
[75] The exclusions of the article 53 of the EPC are similar to the exclusions found in article 27 of the TRIPS Agreement.
[76] Article 53(1) and 53(2) of the EPC.
[77] Article 53(3) of the EPC.
[78] See Case C-34/10 *Oliver Brüstle v Greenpeace eV.* [2011] ECR I-9821, ECLI:EU:C:2011:669, paragraph 33.

without the 'inherent capacity to develop into a human being' is not considered a human embryo under the EU directive 98/44/EC.[79] Minssen and Nordberg have argued that in ISCC the CJEU established a much needed limitation on the broad definition of human embryo established in *Brüstle* since the court held that unfertilized human eggs whose division and further development have been stimulated by parthenogenesis are patentable in Europe.[80]

3.3 Patent Law in the U.S.

After a brief peak into the history of IPR protection to contextualize modern-day U.S. patent law, current U.S. patent statutes as well as judicial opinions from U.S. courts will be reviewed with a focus on requirements of patentability and exclusions to patentability.

3.3.1 Brief history of IPR protection in the U.S.

The U.S. is known for serving as a central market for patents as well as an advocate of strong IPR protection.[81] Legal protection of patents was adopted in the U.S. as early as in 1787 at the Constitutional Convention where a national patent system was created by granting the Congress the authority to legislate patents in Article I, Section 8 of the U.S. Constitution (the 'Patent clause').[82] The federal patent system was created a few years later in 1790 but it offered protection only for U.S. inventors.[83] The Patent Act has since then, understandably, undergone several revisions and amendments although the current patent statute is surprisingly similar to its early versions.[84]

Despite acting as a vocal advocate of patent and IPR protection, the U.S. has not always been a leading IPR advocate.[85] Paradoxically, the U.S. is considered to have been the leading IPR violator during the 19th century by many historians studying this era.[86] For instance, Americans copied secret British designs for looms and mills.[87] Such violations of British IPR rights were backed by the U.S. government.[88] Although pressure from the British to respect their IP rights certainly played a role, only when the pressure from the U.S. manufacturers and inventors to receive IPR protection abroad surmounted, did the

[79] See Case C-364/13 *International Stem Cell Corporation v. Comptroller General of Patents, Designs and Trade Marks* [2014] ECLI:EU:C:2014:2451, paragraph 38.
[80] Minssen and Nordberg (2015) 8.
[81] Kortum and Lerner (1998) 248; Peng, Ahlstrom, Carraher, and Shi (2017) 16.
[82] Peng et al. (2017) 20.
[83] ibid.
[84] Adelman, Rader, and Thomas (2015) 5.
[85] Peng et al. (2017) 20.
[86] Gordon (2005); Khan (2005).
[87] Raustiala and Sprigman (2013) 29.
[88] Khan and Sokoloff (2001) 237; Raustiala and Sprigman (2013) 29.

widespread culture of copying change as IPR protection was extended to foreigners by the enactment of the International Copyright Act in 1891, the so called Chase Act.[89] Why were such grave violations of foreign IPR, at least in today's U.S. standards, not merely allowed but even endorsed by U.S. institutions? Scholars have argued that the U.S. refusal to protect foreign IPR before 1891 can be explained by low levels of literary and economic development in the U.S. which meant that protecting foreign IPR would have meant protection for foreign inventors, authors, and firms at a higher cost of goods for domestic consumers.[90]

This brief excursion into the history of IPR exemplifies that understanding law in its historical context is vital if we are to comprehend IPR law more holistically and for the purposes of this study, to compare legal systems.

3.3.2 Patentability

The United States Code (U.S.C.) is a multivolume codification of published federal statutory law.[91] Title 35 of the U.S.C. consists of 37 chapters and 376 sections and it governs all aspects of U.S. patent law. For an invention to be granted a patent in the U.S. it must meet the statutory requirements of title 35 of the U.S.C. These include falling within the patentable subject matter (section 101), utility (section 101), novelty (section 102), nonobviousness (section 103). However, both patent statutes and patent case law from federal court decisions need to be considered to create an accurate picture of U.S. patent law.[92]

3.3.2.1 Patentable Subject Matter

The U.S. patent law recognizes three types of patents: utility, design, and plant patents of which the utility patent is the most common form of patent and the focus of this overview.[93] Under 35 U.S.C. § 101 the subject matter of a utility patent covers processes, machines, manufactures, or a composition of matter. Courts have been challenged with determining whether a new invention qualifies as patentable subject matter or falls outside patent protection due to being only an abstract idea, natural phenomena, or a law of nature.[94] Recent U.S. Supreme Court cases have dealt with the patentable subject matter, one of the five

[89] Raustiala and Sprigman (2013) 29.
[90] Peng et al. (2017) 21.
[91] Black's Law Dictionary (2009) 1673.
[92] Bouchoux (2012) 336.
[93] ibid 337.
[94] McJohn (2019) 244–245. In the ruling *Alice Corp. v. CLS Bank International*, 134 S.Ct. 2347 (2014) the Supreme Court stated this exclusion into the subject matter eligible, 'We have interpreted §101 and its predecessors in light of this exception for more than 150 years'.

necessary requirements for patentability. In *Association for Molecular Pathology v. Myriad Genetics, Inc*. the U.S. Supreme Court examined whether DNA and cDNA sequences are patentable subject matter.[95] The Court stated that since naturally occurring DNA segments are products of nature, they are not eligible for a patent just because they have been isolated. On the other hand, in the same decision the Court ruled in favor of cDNA's patent eligibility because it does not occur in nature. In *Alice Corp. v. CLS Bank International* the Supreme Court examined patentable subject matter requirement for computer-implemented business method patent.[96] Although the Court confirmed that an invention is not ineligible for patent only because it involves an abstract concept, the court also referred to a longstanding rule that an idea in and of itself is not patentable.[97] Since the Court held that the petitioner's claim at issue was directed to an abstract idea and did not add any substance to the underlying abstract idea, the Court held that the computer-implemented scheme was not eligible for a patent.

3.3.2.2 Novelty

Under the U.S. patent law, a person is entitled to a patent unless the claimed invention was patented, described in a printed publication, or in public use, on sale or otherwise available to the public before the effective filing date of the claimed invention.[98] Additionally, under 25 U.S.C. § 102 (b) the inventor can be prevented from obtaining patent on an invention, if the inventor has disclosed the claimed invention for more than one year before the filing date of the patent application. A patent case relating to novelty includes *Group One, Ltd. v. Hallmark Cards, Inc*., where the Federal Circuit examined whether the communications between the patentee and a third part regarding the patented machine constitute an offer for sale.[99] Such communication would remove the novelty of the patented inventions and thus, make the patent invalid under the law.[100] The court held the patent to be invalid under 35 U.S.C. § 102 (b) on the grounds that the invention had been on sale more than one year before the filing date of the application of the patent application.

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[95] *Association for Molecular Pathology v. Myriad Genetics, Inc*, 133 S.Ct. 2107 (2013).
[96] *Alice Corp. v. CLS Bank International*, 134 S.Ct. 2347 (2014).
[97] See *Gottschalk v. Benson*, 409 S.Ct. 63 (1972); See also *Parker v. Flook*, 437 S.Ct. 584 (1978) where the Court held that a mathematical formula used to compute alarm limits in a catalytic conversion process was deemed as an abstract idea and thus, not patentable. More recently, in *Bilski v. Kappos*, 130 S.Ct. 3218 (2010) the Court held that a method for hedging against the financial risk of price fluctuations was an abstract idea and as such, ineligible for a patent.
[98] 35 U.S.C. § 102 (a).
[99] *Group One, Ltd. v. Hallmark Cards, Inc*. 254 F.3d 1041 (Fed. Circ. 2001).
[100] Bouchoux (2012) 343; McJohn (2019) 272.

Under the new America Invents Act (AIA) in 2013 the U.S. joined the rest of the international community by becoming a first-inventor-to-file-country.[101] Prior to this, the patent priority was determined based on first to invent, not first to file the patent application, which set the U.S. apart from nearly all other countries.[102]

3.3.2.3 Nonobviousness

Apart from falling into the subject matter of patentability and utility, the claimed invention must be non-obvious to persons with ordinary skills in the art under 35 U.S.C. § 103. In determining whether the invention is obvious or not, the differences between the claimed invention and the prior art are to be considered in a manner that had the claimed invention as a whole been obvious before the patent filing date to a person with ordinary skill in the art.[103] The concept of 'common sense' established has been central in evaluating obviousness.[104] In *Perfect Web Technologies, Inc. v. InfoUSA, Inc*., the Federal Circuit addressed the question whether the invention related to methods of managing bulk e-mail distribution to groups of selected consumers could be considered as nonobvious and consequently, ineligible for patent protection under 35 U.S.C. § 103.[105] The Court found the patent to be obvious since someone of ordinary skill could have arrived at the email distribution method in question.[106] The Court employed the common sense criteria as well as the legal fiction of ordinary person with the skill in the art to evaluate obviousness as a criteria for patentability.

3.4 Copyright Law in the EU

The EU has issued legislature obligating its member states to harmonize their copyright regimes.[107] These directives and the EU copyright law is built on the provisions of the Berne Convention to which all of the EU member states are signatories.[108] The overall architecture of copyright law in the EU is thus a product of multinational efforts to unify the differing copyrights regimes of the EU member states. As with patents, no community-wide unitary

[101] Bouchoux (2012) 340.
[102] ibid.
[103] Adelman, Rader, and Thomas (2015) 6.
[104] *KSR Int'l Co. v. Teleflex Inc*., 550 S.Ct. 398 (2007).
[105] *Perfect Web Techonologies, Inc. v. InfoUSA, Inc*., 587 F.3d 1324 (Fed. Circ. 2009).
[106] ibid.
[107] Such directives include 2001/29/EC, Directive of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society [2002] OJ L 167/10 [hereinafter the InfoSoc Directive].
[108] The Berne Convention has as of this writing a total of 179 contracting parties, see Contracting Parties, WIPO-Administered Treaties.

copyright exists, but instead the same copyrighted work receives protection according to different national laws of each EU member state.[109]

3.4.1 Copyright Protection, Duration, and Registration

Article 2 of the Berne Convention protects literary and artistic works. These works include, 'every production in the literary, scientific, and artistic domain, whatever may be the mode or form of its expression'.[110] This definition encompasses works such as books, lectures, musical compositions, maps, plans, and painting, to name a few examples of protected works from the paragraph (1) of article 2.[111] Also derivative works such as translations, and other alterations of literary or artistic work receive copyright protection under the Convention.[112]

In recent years, the CJEU has taken an active role in furthering the harmonization of copyright at the EU level by judicial interpretation concerning a fundamental principle of copyright, the originality requirement.[113] More specifically, in *Infopaq* and further in a series of subsequent cases the CJEU harmonized the general criterion of originality as an 'author's own intellectual creation' for all works in EU copyright law.[114] These rulings meant that the criterion of originality for copyright was not only restricted to computer programs, databases or photographs as originally intended by the Community legislature.[115] These harmonization efforts of the CJEU serve as a prime example of judicial activism that the CJEU has engaged itself with throughout the years to further the integration of the EU. Some observers have argued that the CJEU has been inspired by the U.S. Supreme Court's contributions to nationalizing American politics through gradually reducing key aspects of sovereignty of individual U.S. states.[116]

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[109] Kur, Dreier, and Luginbuehl (2019) 290.
[110] Berne Convention, article 2, paragraph (1).
[111] Ibid.
[112] ibid paragraph (3).
[113] Rosati (2010) 816.
[114] Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] ECR I-6569, ECLI:EU:C:2009:465, paragraph 37; Case C-393/09 *Bezpecnostni Softwarova Asociace - Svaz Softwarove Ochrany v Ministerstvo Kultury* [2010], paragraph 45; Joined Cases C-403/08 and C-429/08, *Football Association Premier League v QC Leisure* and *Karen Murphy v Media Protection Services* [2011] ECR I-10909, ECLI:EU:C:2011:631, paragraph 97.
[115] Articles 1 (3) of Directive 2009/22/EC of the European Parliament and of the Council of 23 April 2009 on injunctions for the protection of consumers' interests [2009] OJ L 110/30, article 3 (1) of Directive 96/9/EC Directive of the European Parliament and of the Council of 11 March 1996 on the legal protection of databases [1996] OJ L 77/20 (Database Directive) and article 6 of Directive 2006/116/EC of the European Parliament and of the Council of 12 December 2006 on the term of protection of copyright and certain related rights (codified version) [2006] OJ L 372/12.
[116] Shapiro (2001) 34.

The Berne Convention does not require registration for an author to receive copyright protection for their work.[117] When it comes to the duration of copyright protection, it is established as lasting 70 years after the author's lifetime according to the EU Copyright Duration Directive aiming to harmonize the duration of copyrights in EU member states.[118] If the work has been created by multiple authors, the term of the protection spans to 70 years after the death of the last surviving author.[119]

3.4.2 The Exclusive Rights and Moral Rights

EU copyright law includes a host of exclusive or 'economic' rights connected to copyrighted works of authors as well as neighboring rights of those who have particular relationships with such works. These exclusive and neighboring rights contain such rights as the rights of reproduction, distribution, and communication to the public as well as the right of rental and or/lending, broadcasting and computer program reproduction, distribution, and rental on behalf of authors.[120]

In addition to economic rights, the copyright regimes of several EU member states recognize the French and continental concept of copyright (*droit d´auteur*), the natural rights perspective which protects the artistic reputation of the creator of a work by prohibiting others from modifying or distorting the work without the permission of the author even if the copyright has been transferred to another person or persons.[121] The moral rights can be separated into four distinct categories; first, the right of integrity, under which the author can prohibit alterations of the work.[122] Secondly, the right of attribution/paternity means that the author can condition the distribution of the work on his/her name being associated with the work, and thirdly, the right of disclosure, under which the artist can prevent the publication of the work until it meets the artist's own requirement.[123] Lastly, moral rights includes the right of retraction/withdrawal under which, as the name suggests, the artist retains the right to withdraw the work.[124]

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[117] Berne Convention article 5, paragraph (2).
[118] Directive 2006/116/EC, article 1, paragraph 1.
[119] ibid, paragraph 2.
[120] The InfoSoc Directive, article 2, 3, 4, 23; Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property (codified version) [2006] OJ L 376/28, article 3 and Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (codified version) [2009] OJ L 111/16, article 1.
[121] Hansman and Santilli (1997) 95, 109–110, see also Berne Convention Article 6bis.
[122] Hansman and Santilli (1997) 95.
[123] ibid 95–96.
[124] ibid.

Individual EU member states can determine whether they recognize moral rights and if so, to what extent.[125] Since the extent of moral rights in different EU member states varies with countries such as France and Germany offering extensive protection of moral rights and in turn Nordic countries offering only minimum requirement imposed by the Berne Convention, some legal scholars have called for a minimum harmonization of moral rights at the EU level.[126] Others have predicted harmonization to be a challenging task on the grounds that the moral rights theories underpinning copyright regimes in EU countries are internally inconsistent.[127] Other reasons to doubt the need for copyright harmonization at the EU level include the argument that moral rights, and in particular, the right of integrity can be misused as an abusive power by the artist over their work.[128] Interestingly, Dietz has suggested that the fair use provision codified in article 107 of the U.S. Copyright Act could be used as a model in harmonizing the right of integrity at the EU level.[129] All in all, it can be concluded that the debate on copyright harmonization in the EU is a controversial issue with valid arguments on both sides for and against harmonization of moral rights.

3.4.3 Restrictions on Copyright Protection

Under EU copyright law, the first sale of the original or a copy of a work by the author or with his/her consent exhausts the right 'to control the resale of that object'.[130] In addition to this exhaustion principle developed by the CJEU in *Deutsche Grammophon* and later codified in Article 4 (2) of the InfoSoc Directive, EU copyright law includes other central limitations on copyright.[131] Although there is no 'fair use' doctrine akin to the U.S. copyright doctrine, EU copyright law sets specific limitations upon the copyright's exclusive rights by allowing unauthorized use of copyrighted works in the public interest to advance science, education, and culture listed in article 5 of the InfoSoc Directive.[132] Examples of these limitations on copyright include among others uses as reproduction for private and non-commercial use, use for illustration for teaching or academic research, and press reviews and news reporting.[133]

[125] The InfoSoc Directive, recital 19 of the preamble.
[126] Kelli et al. (2014) 113–114.
[127] Masiyakurima (2005) 411.
[128] De Werra (2009) 281.
[129] Dietz (1994) 187.
[130] The InfoSoc Directive, recital 28 of the preamble.
[131] Case C-78/70 *Deutsche Grammophon v Metro SB* [1971] ECR 487, ECLI:EU:C:1971:42.
[132] The InfoSoc Directive, article 5.
[133] ibid, article 5, paragraphs 2, 3a, 3c.

Despite substantially harmonizing EU copyright law, 20 of the 21 exceptions listed in the InfoSoc Directive are optional since member states were not willing to abandon existing exceptions in their own national laws, meaning that exceptions in Article 5 are to great extent a collection of exceptions found in national copyright legislation of EU member states.[134] This example as well as impediments with harmonizing moral rights can be seen to illustrate a more general tension in the EU between reconciling the aim of creating a unified, strong common internal market with piecemeal harmonization of copyright legislation and aligning the national interests of individual member states. I will return to this theme in my analysis of the reasons underlying the differences between EU and U.S. copyright law.

3.5 Copyright Law in the U.S.

The authority of the Congress in the U.S. to adopt a copyright law is provided by the U.S. Constitution, Article I, Section 8.[135] The English mechanism of granting authors exclusive property rights was adopted in the U.S. Constitution.[136] The first copyright statute was enacted by the Congress in 1790 and akin to the first patent statute, it did not extend protection for works by foreigners explicitly excluding foreigners from the coverage of the statute.[137] Since the function of the U.S. copyright is to promote progress of literary and artistic endeavor adhering to the rationale for Anglo-American copyright tradition as utilitarian with emphasis on economic rights, the author's natural rights tradition was not included in U.S. copyright at its inception.[138]

For a long time it was the assumed that the main reason for the U.S. not to become a signatory to the Berne Convention was the requirement of the treaty to recognize moral rights.[139] However, in 1989 the U.S. finally ratified the Berne Convention that requires its signatory states to impose minimal formalities and protection to both economic and moral rights.[140] When ratifying the Berne Convention, the U.S. Congress was hesitant to accept the moral

[134] Only temporary acts of reproduction, Article 5 (1) of the InfoSoc Directive is mandatory. See Kur, Dreier, and Luginbuehl (2019) 316–317.
[135] Article I, Section 8, states that 'The Congress shall have power... [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries... '
[136] Other countries that have inherited their law from England such as the United Kingdom have also not recognized the moral rights in their copyright laws (August, Mayer, and Bixby, 2013:490).
[137] Hatch (1989) 172.
[138] Bracha (2008) 199–200; Kur, Dreier, and Luginbuehl (2019) 8.
[139] See Berne Convention Article 6bis.
[140] Hansmann and Santilli (1997) 96.

rights portion with the argument that its current state and federal law sufficiently satisfy Article 6bis of the Berne Convention.[141]

U.S. courts and legal writers have been of the opinion that moral rights do not exist in the U.S.[142] Jaszi, a U.S. legal scholar specialized in copyright law, has criticized author's natural rights tradition in the U.S. copyright doctrine labeling this view as 'romantic authorship', outdated pre-industrial tradition with overblown emphasis on the individual, incongruent with the demands of the modern marketplace.[143] He raised this criticism shortly after the U.S. ratified the Berne Convention ending the American isolationism.[144] Although Jaszi's criticism of the U.S. construct of authorship is well grounded, it overlooks important insights from the field of psychology and more precisely, from the self-determination theory. In short, according to the self-determination theory, experimental studies show that humans are not merely motivated by external rewards such as money or prestige but also by internal forces such as a feelings of accomplishments.[145] In the domain of copyright which is by definition about creative work, the intrinsic motivational forces can be expected to influence the creators which would support the view of the natural rights tradition. The main argument here is then that to propose that creators of creative work protected by copyright are not also or even heavily motivated by economics gains would be naïve but to reduce their work merely to serving an economic purpose overlooks other central motivational factors at play.

3.5.1 The Requirements for Copyright Protection

The broad reach of U.S. copyright law extends to all works that are 1) original, 2) work of authorship, and 3) fixed in a tangible form of expression.[146] Although copyright protection has traditionally been associated with artistic endeavor, the requirement of originality should not be confused with novelty or aesthetic appeal.[147] Rather, originality entails that the material should be an independent product of the author rather than a copy or variation of an existing work.[148] The creativity component can be achieved by virtually any endeavor characterized by expressiveness.[149] Yet some creative spark is still required since the U.S.

[141] Berne Implementation Act of 1988, Pub. L No. 100–568, 102 Stat. 2853 § 13(a) (1988).
[142] Holst (2006) 105; Jaszi (1991) 500.
[143] Jaszi (1991) 500–502.
[144] The U.S. became a signatory to the Berne Convention in 1989 and Jaszi's publication came out 1991.
[145] Deci (1971); Ryan and Deci (2000).
[146] 17 U.S.C. §102(a).
[147] Mtima (2008) 25; Bouchoux (2012) 193.
[148] Bouchoux (2012) 193.
[149] Adelman, Rader, and Thomas (2015) 49.

Supreme Court held in *Feist* that telephone white page listings did not qualify for copyright protection for lacking minimal creativity.[150]

The U.S.C. 17 § 102 (a) lists eight categories of works deemed as 'works of authorship'.[151] The list is not, however, to be understood as exhaustive but rather as illustrative, because additional kinds of creative works can also be eligible for copyright protection.[152] The Copyright Act offers protection for works of authorship that are 'fixed in any tangible medium of expression'.[153] A work is 'fixed' if it is embodied in a copy or phonorecord and is sufficiently permanent or stable to be perceived, or communicated for a period of more than transitory nature.[154] Examples of copies include famous photographs printed on T-shirt or coffee mug and a record or a CD recording of a song by Beatles counts as examples of phonorecords.[155]

3.5.2 Exclusions to Copyright Protection

Under Section 102(b) of the Copyright Act, copyright protection does not extend to procedures, processes, systems, methods of operation, concepts, principles, and discoveries. Under 17 U.S.C. § 102(b) an author's individual expression is protected but the protection does not cover the underlying idea of facts, which is commonly referred as the 'idea/expression' dichotomy.[156] According to this doctrine, the storyline of an underdog presented with a sudden challenge and eventually through twists and turns becoming a hero against all odds as depicted in many motion pictures such as *Rocky* and *the Lord of the Rings* is not protected under U.S. copyright law. However, copyright protects these artistic works as such.[157]

The idea/expression dichotomy is further extended by two related copyright doctrines: the doctrine of merger and scenes a faire.[158] When an author's expression of an idea is closely integrated with the idea embodied in the work, it might not be possible to distinguish between

[150] *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 111 S.Ct. 1282 (1991).
[151] Works of authorship at 17 U.S.C. § 102(a) include the following categories: 1) literary works; 2) musical works, including any accompanying words; 3) dramatic works, including any accompanying music; 4) pantomimes and choreographic works; 5) pictorial, graphic, and sculptural works; 6) motion pictures and other audiovisual works; 7) sound recordings; and 8) architectural works.
[152] McJohn (2019) 33–34.
[153] 17 U.S.C. §102(a).
[154] ibid § 101.
[155] Bouchoux (2012) 194.
[156] ibid 199.
[157] Adelman, Rader, and Thomas (2015) 49.
[158] Bouchoux (2012) 86; Samuelson (2016) 417.

them.[159] On the other hand, also the number of ways to express an idea can be very limited.[160] In both situations, the idea and how it is expressed can be considered to have merged and to have become indivisible, hence the name doctrine of merger.[161] When an expression has become standard and is therefore commonly found in works of that genre, it falls under the scenes a faire doctrine as unprotectable.[162]

3.5.3 The Exclusive Rights and Restrictions on Copyright Protection

Reproduction, distribution, preparation of derivative works, public performance and public displays are recognized under the U.S. copyright law as exclusive rights.[163] The exclusive right to prepare derivative works precludes others from using a copyrighted work or portions of it to create new works. An example of infringement of this exclusive right would be using copyrighted characters such as *Mickey Mouse* to produce a sequel.[164] The exclusive right of public performance applies to literary, musical, dramatic, choreographic works, motion pictures, and other audiovisual works.[165] The exclusive right of public display is applicable to paintings, sculptures, and similar works.[166] Also software programs as a literary work enjoy the pertinent exclusive rights.[167]

The guiding purpose of the U.S. copyright law is to foster the creation and dissemination of literary and artistic works to allow the public to access knowledge.[168] Balancing the primary and secondary aims of the U.S. copyright law requires striking a balance between the author's exclusive rights and public's rights and privileges. The most central doctrine connected to public engagement is the fair use doctrine in 17 U.S.C. § 107. For activities such as news reporting, teaching, scholarship, or research use of copyrighted material can be allowed under the fair use doctrine without the copyright holder's consent.[169] To

[159] Samuelson (2016) 417.
[160] ibid 467.
[161] Samuelson (2007) 1934.
[162] See *Nichols v. Universal Pictures Corp.*, 45 F.2d 119 (2d Cir.1930) where the leading test for comparing works with common ideas, themes, and settings was put forth.
[163] 17 U.S.C. § 106; 113-115; 120.
[164] See Section 101 of the Copyright Act for a definition of derivative work.
[165] 17 U.S.C. § 106.
[166] ibid § 113, 120.
[167] See *Meridian Project Systems, Inc v. Hardin Construction Company LLC*, 426 F. Supp. 2d 1101 (E.D. Cal 2006)
[168] See *Twentieth Century Music Corp. v. Aiken*, 422 S.Ct. 151, 156 (1975) where it was proclaimed that the 'ultimate aim' of U.S. copyright law is to enable artistic creativity for the general public good.
[169] 17 U.S.C. § 107.

determine whether a given activity classifies as a fair use, Section 107 includes a four factor test.[170]

Starting from the 1980s, the U.S. courts have allowed unauthorized digital uses of copyrighted material under the fair use doctrine.[171] The fair use has been interpreted by U.S. courts to cover such wide uses as unauthorized copying of a software program for studying its structure and to design new programs[172], unauthorized copyright with the intention of extracting unprotected material[173], and replicating copyrighted images online as 'thumbnails' for search engine indexing.[174] Digitally scanning books in a host of university libraries to improve public access to scholarly research and archival preservation of books as part of The Google Books Project was also deemed as Fair Use.[175] The variety of permitted uses of copyright protected works exemplifies the flexibility of the Fair Use doctrine that the U.S. courts have made full use of.[176]

In addition to the fair use doctrine, another doctrine limiting the author's exclusive rights is the first sale doctrine.[177] Under this doctrine, after a 'first sale' by the author, the particular copy of the copyrighted work can be re-distributed without the consent of the copyright holder.[178] In addition to the fair use and first sale doctrine, a host of compulsory licenses also limit the author's exclusive rights.[179]

3.5.4 Copyright Duration and Registration

Copyright protection in the U.S. lasts as a general rule 70 after the death of the author.[180] In cases of work for hire, copyright duration is 95 years from the date of publication or 120 years from the date of creation depending on which expires first.[181] Although registration is not a requirement for obtaining a copyright, registration is nevertheless required from the author with the Copyright Office to document the copyright which is needed to enforce an

[170] ibid § 109.
[171] Samuelson (1993) 52.
[172] See *Sega Enterprises Ltd. v. Accolade, Inc*., 977 F.2d 1510 (9th Circ. 1992).
[173] See *Evolution, Inc. v. Suntrust Bank*, 342 F. Supp 2d 943, 956 (D. Kan 2004).
[174] See *Kelly v. Arriba Soft Corp*., 336 F. 3d 811 (9th Cir. 2003).
[175] *The Authors Guild, Inc. v. Google, Inc*. 954 F. Supp 2d 282 (S.D.N.Y. 2013). See also Samuelson (2009:1374) for concerns over Google's *de facto* monopoly of vast amounts of digital books and why the public access to these books should not be left to one single company, Google.
[176] Samuelson (1993) 51.
[177] 17 U.S.C. § 109.
[178] See *Kirtsaeng v. John Wile and Sons, Inc*., 133 S.Ct. 1351 (2013).
[179] 17 U.S.C. § 108; 110–116; 119.
[180] ibid § 302.
[181] ibid.

author's exclusive rights through litigation.[182] Registration entitles the author a legal presumption that her work contains protectable copyright subject matter as well as acts as a prerequisite to obtaining an award of statutory as opposed to actual damages.[183]

3.6 Trademark Law in the EU

Fundamental for understanding the trademark law of the EU are the Trade Mark Directive (TMD) and the Community trade mark regulation, renamed as European Union Trade Mark Regulation (EUTMR).[184] The administration of the community trademark system rests in the authority of the Office for Harmonization, now known as the European Union Intellectual Property Office (EUIPO).[185] Whereas the TMD merely obligates member states to align their national copyright laws with the provisions of the directive, the EUTMR forms a unitary right extending the whole union.[186] However, the existence of the Community Trade mark system does not replace national trademarks, since both national and union wide trademark systems were meant to coexist.[187]

3.6.1 Registration, Subject Matter, and Grounds for Refusal

Both the TMD and the EUTMR are based on the premise that trademarks are obtained by registration.[188] Nevertheless, the Trademark Directive allows member states to continue to protect trademarks acquired through use by setting their own standards regarding the protection of such trademarks.[189] Registration as a point of departure for trademark protection in the EU differs from the U.S., which will be dealt more in depth later in the section on explaining the differences of trademark law in the EU and the U.S.

Definitions on trademark subject matter found in Article 4 of the EUTMR and Article 3 of the TMD are identical; in both protectable subject matter is extended to signs capable of distinguishing commercial origin and mode of representation. The criteria of capability to distinguish commercial origin for a sign is to be understood broadly so that the exemplary

[182] McJohn (2018) 154.
[183] ibid.
[184] First Council Directive 89/104/EC to approximate the laws of the Member States relating to trademarks; its newest form Directive 2015/2436/EC of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (recast) [2015] OJ L 336, [hereinafter the Trade Mark Directive]; Regulation (EU) 2017/1001 of the European Parliament and of the Council of 14 June 2017 on the European Union trade mark [2017] OJ L 154/1, [hereinafter the EUTMR].
[185] European Intellectual Property Office (2020), 'Who we are'.
[186] The EUTMR, recitals 3 and 4 of the preamble.
[187] ibid, recital 8 of the preamble.
[188] The Trade Mark Directive, article 37; the EUTMR, article 6.
[189] The Trade Mark Directive, recital 11 of the preamble.

list in Article 4 of the EUTMR with references to signs such as personal names, letters, colors, and sounds is not meant as exhaustive.[190] Distinctiveness is to be viewed from the point of view of relevant public, which is to be seen as reasonably well informed and reasonably observant and circumspect with varying levels of attention depending on the importance and value of the transaction.[191] In addition to distinctiveness in trade, trade mark is described broadly as any sign.[192] However, signs are not eligible for protection if they are broad and vague concepts as opposed to specific signs, decided in *Dyson*.[193]

The second requirement for protection entails mode of representation, which replaced the earlier requirement of graphical representability by the law reform in 2015.[194] In *Sieckmann* the CJEU presented seven criteria for graphical representation: clear, precise, self-contained, easily accessible, intelligible, durable, and objective.[195] In regards to graphical representability concerning non-traditional signs, the CJEU has ruled that colors per se do not constitute a trademark unless they are recognized by an internationally recognized identification code[196], color combinations must be systematically arranged by associating the colors in question in a predetermined and uniform way[197], and musical tunes can receive protection if the sign is represented by a stave divided into measures.[198] The *Sieckmann* test to evaluate whether a sign fulfills the requirement of being represented graphically to qualify for trademark protection still holds although other means than graphical representation may be employed.[199]

Absolute grounds for refusal are established in an extensive list of provisions found in Article 7 of the EUTMR and respectively, in Article 4 of the TMD. Trademarks need to fulfill the criteria of distinctive and descriptive character that have become customary in the current language or in the bona fide of the established practices of the trade and these criteria

[190] In Case C-273/00 *Sieckmann v DPMA* [2002] ECR I-11737, ECLI:EU:C:2002:748, paragraphs 44, 45 the CJEU held that even non-visible signs are to be included into trademark protection although they are not explicitly included in the exemplary list presented in Article 3 TMD.
[191] See Case C-304/06 P *Europhypo v OHIM* [2008] ECR I-03291, ECLI:EU:C:2008:261, paragraph 68.
[192] The Trade Mark Directive, article 3; the EUTMR, article 4.
[193] Case C-321/03 *Dyson Ltd* v Registrar of Trade Marks [2007] ECR I-00687, ECLI:EU:C:2007:51, paragraphs 29, 42.
[194] Kur, Dreier, and Luginbuehl (2019) 207.
[195] Case C-273/00 *Sieckmann v DPMA* [2002] ECR I-11737, ECLI:EU:C:2002:748, paragraph 55.
[196] Case C-104/01 *Libertel v Benelux Merkenbureau* [2003] ECR I-3793, ECLI:EU:C:2003:244, paragraph 37.
[197] Case C-49/02 *Heidelberger Bauchemie v DPMA* [2004] ECR I-6129, ECLI:EU:C:2004:384, paragraph 33.
[198] Case C-283/01 *Shield Mark v Kist* [2003] ECR I-14313, ECLI:EU:C:2003:641, paragraph 64.
[199] Kur, Dreier, and Luginbuehl (2019) 207.

are to be assessed separately.[200] In *Doublemint*, a landmark case concerning distinctive character of trademarks consisting of common words, the CJEU held that a sign cannot be registered if as least one of its possible meanings describes a characteristic of the goods or services in question.[201] Some marks can become distinctive through use and this assessment by court can include factors such as market share held by the mark, how widespread the mark is geographically, duration of the its use, as well as considerations on how a relevant class of persons perceives the goods or services as originating from a particular source.[202] The underlying objective with the distinctiveness requirement focuses on the interests of consumers to identify the products they want to buy, whereas the descriptive character caters to the interest of competitors to ensure free competition as to keep a sign available for general use.[203] The principles relating to absolute unregistrability follow directly from the Paris Convention.[204] This in turn reflects the international convergence of IP field, an important explanatory factor for similarity of IP laws of the EU and the U.S.

In addition to absolute grounds for refusal, relative grounds for refusal of registration found in article 5 of the TMD and article 8 of the EUTMR are included in EU's comprehensive examination process. The TMD and the EUTMR offer a three-tier system of protection.[205] First it has to be evaluated whether the trademark concerned is in fact an 'earlier trade mark', a trademark registered through the provisions of the Madrid Protocol or well-known trade mark for the purposes of the Paris Convention and thus unregistrable mark.[206] Secondly, trademark is unregistrable if it is either identical to an earlier mark and to be used on similar goods and services or similar to an earlier mark and to be used on identical or similar goods or services.[207] Thirdly, prior similar or identical use of a mark prevents registration even if goods or services are dissimilar if the earlier mark has gained a reputation and the subsequent use of the same mark in a different context would mean taking unfair advantage of the earlier mark's reputation.[208]

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[200] The EUTMR, article 7 (1) (b) – (d); the TMD, article 4 (1) (b) – (d).
[201] Case C-191/01 P *OHIM v Wrigley* [2003] ECR I-12477, ECLI:EU:C:2003:579, paragraph 32.
[202] Pila and Torremans (2019) 263–264.
[203] Case C-329/02 *SAT.1 v OHIM* [2004] ECR I-8317, ECLI:EU:C:2004:532, paragraph 55. The CJEU joined Cases C-108/97 and C-109/97 *Windsurfing Chiemsee v Huber & Attenberger* [1999] ECR I-2779, ECLI:EU:C:1999:230, paragraph 25.
[204] The Paris Convention, Article 6 *quinquies* B No. 2.
[205] Pila and Torremans (2019) 373.
[206] The Trademark Directive, article 8 (1) (a), (2); the EUTMR, article 8 (1) (b) – (d).
[207] The Trademark Directive, article 8 (1).
[208] The Trademark Directive, article 8 (5). For a recent example on an unfair advantage of trademark with a reputation, see Case T-301/09 *IG Communications Ltd v OHIM, Citigroup and Citibank NA* [2012] ECLI:EU:T:2012:473.

3.6.2 Trademark Protection and Limitations

The proprietor of a community trade mark enjoys exclusive rights to the trademark and right to bring actions for infringement of the mark from the date of publication of registration of the trademark.[209] A trademark becomes an item of personal property that proprietors of trademarks can to a great extent deal unrestricted by assignment or licensing.[210]

Articles 14 (1) EUTMR and Article 14 (1) TMD allow for certain actions by third parties in the course trade even if the use involves a protected sign. Trademark rights can be limited by honest uses by third parties if the use is in accordance with honest practices in industrial or commercial matters.[211] Limitations include use of one's own name or address, use of non-distinctive signs or descriptive indications and referential use.[212] The exhaustion principle and more specifically, regional exhaustion is another major limitation on the trademark rights.[213] A community trademark will not entitle the proprietor to prohibit the use of the trademark in relation to goods that have been actually sold or the ownership has otherwise been transferred in the EU market by the proprietor or with their implied consent.[214] The proprietor can oppose further commercialization of goods only if the proprietor has legitimate reasons to suspect that the goods are changed or impaired after they have been put to the market.[215] This exhaustion principle in the EU is similar although not identical to the exhaustion principle of the U.S. trademark law.

The likelihood of confusion forms a fundamental precept in protecting trademarks from infringement based on the TMD, the EUTMR and case-law of the CJEU.[216] The CJEU has decided three foundational cases that form the standards for assessing likelihood of confusion.[217] First, in *Sabél v Puma* the CJEU held that the likelihood of confusion must be assessed globally appreciating visual, aural or conceptual similarity of the marks in questions paying special attention to distinctive and dominant components and taking into account that the more distinctive the earlier mark is, the greater the likelihood of confusion.[218] Secondly,

[209] Pila and Torremans (2019) 375.
[210] ibid 375–376.
[211] The Trademark Directive, article 14 (2), the EUTMR, article 14 (2).
[212] The Trademark Directive, article 14 (1), the EUTMR, article 14 (1).
[213] The Trademark Directive, article 15, the EUTMR, article 15.
[214] The Trademark Directive, article 15, the EUTMR, article 15. See also Case C-16/03 *Peak Holding AB v Axolin-Elinor AB* [2004] ECR I-11313, ECLI:EU:C:2004:759, paragraphs 34, 40.
[215] The Trademark Directive, article 15 (2), the EUTMR, article 15 (2).
[216] The EUTMR, recital 11.
[217] Kur, Dreier, and Luginbuehl (2019) 250.
[218] Case C-251/95 *Sabél v Puma AG, Rudolf Dassler Sport* [1997] ECR I-6191, ECLI:EU:C:1997:528, paragraphs 22–24.

in *Canon v Metro-Goldwyn-Mayer Inc.* the CJEU established that in addition to similarity between the sign and the mark, similarity of goods and services for which the signs are must be considered in the assessment of likelihood of confusion.[219] Lastly, in *Meyer v Klijsen* the CJEU held that the concept of the average circumspect consumer applies in EU trademark law and that the category of goods and services may affect the average consumer's level of attention.[220] The EU test for likelihood of confusion is currently in force in all member states regarding both national trademark and Community trademark.

3.7 Trademark Law in the U.S.

The Lanham Act of 1946 is a federal statute that broadly regulates the use, registration, and protection of trademarks.[221] The purpose of federal registration of trademarks is to limit territorial fragmentation and concurrent rights.[222] The Lanham Act codified earlier common law consisting of foundational concepts of trademark law developed by courts.[223] This exemplifies the central role of courts and precedents in a common law system where the amount of statues can indeed be equal to that of a legislation-centered civil law system but where even codified positive law often stems from common law.[224]

Traditionally, drawing on the natural rights theory of property the purpose of the trademark law in the U.S. was to protect producers from unfair competition by their competitors so that any consumers' interests were only secondary.[225] More recently, U.S. trademark law has expanded its purpose to protect consumers and improve quality of information by reducing search costs.[226] The modern trademark law in the U.S. can be characterized as placing a heavy focus on protecting brand value.[227]

3.7.1 Distinctiveness

Trademark law in the U.S. protects anything that can carry a meaning indicating a source if the mark falls on 'spectrum of distinctiveness'.[228] Distinctiveness means the extent to which

[219] Case C-39/97 *Canon Kabushiki Kaisha v MGM* [1998] ECR 1-5507, ECLI:EU:C:1998:442, paragraph 22–24.
[220] Case C-342/97 *Lloyd Schuhfabrik Meyer v Klijsen Handel* [1999] ECR I-3819, ECLI:EU:C:1999:323, paragraph 26.
[221] Trademark Act of 1946, also known as the 'Lanham Act', ch. 540, 60 Stat. 427 (codified as amended at 15 U.S.C. § 1051–1127).
[222] Calboli (2011) 1243.
[223] McKenna (2007) 1839, 1887–1896.
[224] Husa (2015) 212.
[225] McKenna (2007) 1840–1841.
[226] McKenna (2008) 849.
[227] Magid, Cox, and Cox (2006) 4.
[228] Mckenna (2008) 846.

a claimed designation conveys information to consumers about the source of products or services instead of merely passing on information related to the product.[229] This spectrum of distinctiveness, ranging from the least to most distinctive: generic, descriptive, suggestive, arbitrary or fanciful, determines whether the trademark can receive protection.[230] Generic marks are never eligible for protection since they fail to indicate a particular source but instead refer to a general name of a product or a service, such as 'computer'.[231] Descriptive marks are assumed not to be distinctive but they can become protectable over time if their primary meaning has an acquired a secondary meaning through use, sales, and promotion of the mark.[232] Marks that fall under the last three categories, namely suggestive, arbitrary or fanciful are considered to be inherently distinctive and protectable based on the assumption that consumers will perceive them as distinctive.[233]

3.7.2 Trade Dress, Dilution, and Geographic Indications

Also trade dress, dilution, and geographic indications fall within the scope of the U.S. trademark law. Trade dress is usually defined as the total image of a product and such features as size, shape, color, color combinations, texture or graphics may be included.[234] Trade dress is eligible for protection if it is nonfunctional, has acquired secondary meaning, and its imitation creates a possibility of consumer confusion.[235] Nonfunctionality is assessed by determining whether the product feature is not a prerequisite for the product's use and does not have an effect on the cost or quality of the product.[236] Secondary meaning depends on whether the purchasing public links the dress with a single producer or source instead of merely the product itself.[237] The test of likelihood of confusion evaluates the total effect of the defendant's product and package on the eye and the mind of a normal purchaser.[238] In case law, two types of trade dress have been established: product packaging and product design.[239]

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[229] *Abercrombie & Fitch Company v. Hunting World Inc.*, 537 F.2d 4 (2nd Cir. 1976).
[230] Bowman (2003) 537–538.
[231] See *Two Pesos v. Taco Cabana*, 505 S.Ct. 763 (1992).
[232] McKenna (2008) 848.
[233] ibid.
[234] Bouchoux (2012) 30.
[235] ibid.
[236] See *Inwood Laboratories, Inc. v. Ives Laboratories, Inc*., 456 S.Ct. 844 (1982).
[237] See *Stuart Hall Co., Inc. v. Ampad Corp.*, 51 F.3d 780 (8th Cir. 1995); *Abercrombie & Fitch Co. v. Hunting World, Inc*. 537 F.2d 4 (2d Cir. 1976).
[238] See *Krueger International Inc. v. Nightingale Inc*., 40 U.S.P.Q.2d 1334, 1341 (S.D.N.Y. 1996).
[239] See *Two Pesos v. Taco Cabana*, 505 S.Ct. 763, 774 (1992) where the U.S. Supreme Court held that the overall image (trade dress) of a Mexican restaurant chain had been infringed by a competitor who had used similar colors and seating arrangements in its restaurants.

Trademark subject matter has been expanded to cover nontraditional trademarks in case law.[240] Nontraditional indicators of source such as sound, color, scent, taste, and tactile marks as well as holographic marks and motion of a product can count as valid trademark in the U.S. when they are or become distinctive of the good or service in the minds of the consumers and can be represented graphically.[241]

The Lanham Act was amended with the Federal Trademark Dilution Act of 1995 which in turn has been to great extent replaced by Trademark Dilution Revision Act of 2006 (TDRA). The Lanham Act protects only famous marks including a nonexclusive list of eight factors by which the courts can evaluate whether a mark can be considered to be 'distinctive and famous'.[242] American legal scholar Lemley has criticized U.S. courts for overextending the protection from dilution to locally well-known but nationally obscure trademarks.[243] Owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, is entitled to an injunction against somebody who uses the mark in commerce likely leading to either dilution by blurring or dilution by tarnishment of the famous mark.[244] Dilution by blurring refers to a situation where a mark previously linked with one product also becomes linked to a second product.[245] Blurring decreases consumers' ability to link the original association of the mark.[246] Tarnishment is linking the trademark to product of questionable quality or portraying it in an unwholesome or unsavory context resulting in the plaintiff's unrelated good to be viewed by the public to be associated with the defendant's goods lacking quality or prestige.[247] For instance, linking a famous mark with pornography or illegal activity would count as tarnishment.[248]

In addition to trade dress and dilution, geographic indications (GIs) are also protected under the Lanham Act.[249] Certification or collective marks which identify place of manufacture,

[240] The landmark case on expanding the scope of trademark subject matter is the U.S. Supreme Court decision *Qualitex Co. v. Jacobson Products Co*., 514 S.Ct. 159 (1995).
[241] Port (2011) 2.
[242] The factors include: 1) the strength of the mark 2 & 3) the length and breadth of the use 4) the extent of advertising of the mark 5) its public recognition 6) how close existing marks are 7) whether the mark is registered. The legislative history of the Act indicates that 'famous marks ordinarily are used on a nationwide basis.' H.R. Rep No. 104-374, at 3 (1995). See also H.R. Rep No. 104-374, at 7 (1995) ('[G]enerally a famous mark will have been in use for some time. The geographic fame of the mark must extend throughout a substantial portion of the U.S.').
[243] Lemley (1999) 1698.
[244] 15 U.S.C. § 1125(c)(2)(C).
[245] Bouchoux (2012) 502.
[246] McJohn (2018) 450.
[247] Bouchoux (2012) 134.
[248] ibid.
[249] 15 U.S.C. § 1125(a)(2)(B).

quality, and producer groups receive protection under the Lanham Act.[250] Although the U.S. is a signatory to the TRIPS Agreement, Silva has lamented the failure of the U.S. to bring its domestic legislation in conformity with the mandates of the TRIPS Agreement regarding the quintessential example of a product relying on a GI, namely wine.[251]

3.7.3 Trademark Protection and Its Limits

The system of trademark recognition and protection in the U.S. is dualistic so that each state has its own system of trademark registration alongside the federal registration.[252] Another distinct feature of trademark recognition and protection in the U.S. is common law unregistered trademark which means that federal registration is not a prerequisite for the use of the trademark nor establishing common law rights in a mark.[253] Consequently, registered and unregistered trademarks receive almost equal protection.[254] In light of this, a U.S. company could use their trademarks for an extensive period before registering their trademarks.

Trademark owners enjoy the exclusive use of their trademarks which means protection from use by another if such use would run the risk of causing confusion.[255] However, the U.S. trademark law contains some important restrictions on the rights of a trademark holder. First, the doctrine of functionality limits the rights of a trademark holder.[256] Functional product features, regardless if they signify a source, are not eligible for trademark protection.[257] A feature of a trademark of trade dress counts as functional if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.[258] Second, common law trademarks receive trademark protection only in the geographic areas where the trademarked products are sold or advertised.[259] Third, descriptive fair use and nominative fair use limit trademark protection.[260] Under the nominative fair use doctrine it is allowed to make

[250] 15 U.S.C. § 1054.
[251] Silva (2005) 197.
[252] Bouchoux (2012) 26.
[253] ibid 22.
[254] McKenna (2008) 846.
[255] 15 U.S.C. § 1125(a)(1).
[256] McKenna (2008) 848.
[257] 15 U.S.C. § 1052(e)(5), 1125(a)(3).
[258] See *Qualitex Co. v. Jacobson Products Co*., 514 S.Ct. 159 (1995) in which the Supreme Court reasoned that the purpose of functionality doctrine is to balance trademark law and patent law. Since a monopoly over new product design or functions are in the province of patent law, allowing a trademark on grounds of functional features would in practice mean a monopoly without a time limit.
[259] Bouchoux (2012) 23.
[260] 15 U.S.C. § 1125(c)(4).

reference to another trademark in comparing his or her product to that of the competitor.[261] In the absence of the fair use doctrine, protecting trademarks would significantly limit free speech, a fundamental principle of the U.S. legal system. Fourth, once products have been introduced to the market, a trademark holder cannot rely on trademark rights to control the distribution of trademarked goods beyond the first sale, also known as the exhaustion rule.[262] An important exception to the exhaustion rule is that trademark rights are not considered to be exhausted when third parties have tampered with the quality of marked products without the trademark holder consenting to the alteration after the first sale.[263]

3.8. Concluding Remarks

Since linguistics plays a pivotal role in comparative law, I will give an example arising from the material covered in this section. The terminology in reference to widely known trademarks eligible for protection from dilution in the EU is a trademark that 'has a reputation in the member state' whereas U.S. law speaks of 'famous marks'.[264] In international legislation the preferred term for trademarks exempted from registration as well as whose protection is extended to dissimilar goods or services is in turn 'well-known marks'.[265] Although such differences in preferred terminology regarding famous trademarks can seem superficial, recognizing their existence is necessary for understanding trademarks in the EU and in the U.S. respectively, and even in international legislation as the example indicates divergences in all the three arenas.

4. Financial Markets Law in the EU and U.S.

4.1. Overview of Regulation of Financial Markets

Before comparing financial markets law in the EU and the U.S., it is reasonable to give a general overview of financial markets. The purpose of financial markets is to raise capital and more specifically, to match those that are in need of capital, borrowers, with those willing to lend, lenders.[266] This matching takes places through financial intermediaries such as banks who take deposits from those that want to save, from 'surplus units' and bundle up

[261] The term 'nominative fair use' was coined by judge Alex Kozinski in *New Kids on the Block v. News America Publishing Inc.*, 971 F.2d 302 (9th Cir. 1992).
[262] Calboli (2011) 1242–1243; See also *Sebastian Int'l, Inc. v. Longs Drug Stores Corp*., 53 F.3d 1073, 1074 (9th Cir. 1995).
[263] Calboli (2011) 1250.
[264] The Trademark Directive, article 5(2); 15 U.S.C. § 1125(c).
[265] Art. 16 (3), TRIPS Agreement; Art. 6bis 1 Paris Convention.
[266] Valdez and Molyneux (2016) 2.

the money in a way that it can be further lent to borrowers, 'units in deficit'.[267] Apart from simple bank deposits, money can be raised through stock exchanges where companies sell shares to investors for the first time on the primary market. When shares are offered on the primary market, the issuer has a legal obligation to prepare and register a prospectus, a disclosure document that contains information regarding the financial safety of the investment to potential buyers.[268] Existing shares can be bought and sold freely on the secondary market.[269] Shares fall into the larger category of securities and they share some basic features: how much is owed, when the payment is due, and rate of interest to be paid to the lender.[270]

Whereas securities law regulates issuance of securities in the primary and secondary markets, banking law, in turn, concentrates on regulating the intermediaries of financial transactions to which banks belong to. Financial intermediation benefits the society as a whole since it enables more efficient utilization of funds within an economy, causes a higher level of borrowing and lending by reducing costs and risk associated with these activities, and contributes to more available funds for high-risk ventures with a capability of absorbing the higher risk.[271] Despite these benefits with banks, banking is the most regulated industry.[272] Banks can cause great distress in the society and due to their interconnectedness, a failure of one institution can immediately negatively affects others, causing bank contagion.[273] Bank contagion can lead to bank runs where the loss of depositors trust in the bank causes them to withdraw their savings at the same time, causing the bank to become insolvent.[274] The rationale of banking regulation is thus to ensure consumer confidence in the financial sector by ensuring systemic stability, providing retail customers with protection, and to protect consumers against monopolistic exploitation.[275]

Banking regulation can be divided into three different types: systemic (macro-prudential) regulation, prudential (macro-prudential) regulation, and conduct of business regulation.[276] Without going into too much details, systemic regulation refers to all public policy regulation under the financial safety net, in particular deposit insurance arrangements and the lender of

[267] Valdez and Molyneux (2016) 2.
[268] August et al. (2013) 284.
[269] Valdez and Molyneux (2016) 2.
[270] ibid 4.
[271] Casu, Girardone, and Molyneux (2015) 17.
[272] ibid 189.
[273] ibid 190.
[274] Bryant (1980) 340.
[275] Llewellyn (1999) 50.
[276] Casu, Girardone, and Molyneux (2015) 191.

last resort function, one of the main functions of a central bank.[277] Prudential regulation is focused on consumer protection through monitoring and supervising financial institutions with emphasis on asset quality and capital adequacy.[278] Conduct of business regulation is concerned with how banks conduct their business, so this type of regulation touches upon issues such as information disclosure, fair business practices, competence, and honesty and integrity of banks.[279] Of these three types of regulation I will mainly focus on comparing systemic regulation and financial safety nets in the EU and the U.S. as well as give some attention to conduct of business regulation. I will, however, focus less on prudential regulation and capital adequacy to sharpen the focus of the comparison.

4.2 Securities Law in the EU

Creating a single internal market by removing barriers to the free movement of goods, persons, services, and capital between EU member states is the hallmark of EU law.[280] Integrating financial markets in the EU began in the 1980s with attempts to harmonize the rules of member states.[281] When this approach failed, in the 1990s EU legislators turned instead to harmonization of essential standards to pave the way for mutual recognition of home country rules in the area of securities and banking transactions to achieve the goal of the free flow of capital.[282] Mutual recognition entails that a financial institution authorized in one EU member state can conduct business in any other EU state without additional authorization.[283] A natural consequence of mutual recognition is the principle of home country control under which countries hosting a branch of another member state's financial institution need to accept the institution's home country rules and supervisory practices as controlling the bank branch operations and cross-border provisions of services.[284] More recently in 2015, the European Commission has sought to increase investment in EU member states by creating a truly EU-wide single capital market through an initiative called

[277] Casu, Girardone, and Molyneux (2015) 191.
[278] ibid.
[279] ibid.
[280] Treaty on the Functioning of the European Union (consolidated version) [2012] OJ C 326/47 [hereinafter TFEU], Articles 34, 45, 49, 57; Rosas and Armati (2018:139) note that the interpretation and application of these economic freedoms has expanded since their inception when they merely enabled cross-border movements.
[281] Valiante (2018) 2.04.
[282] Commission of the European Communities, 'Completing the Internal Market' COM [1985] 310 final, 6. The mutual recognition principle was first introduced in the *Cassis de Dijon* ruling, see Case C-120/78 *Rewe-Zentral AG v Bundesmonopolverwaltung für Branntwein* [1979] ECR 649, ECLI:EU:C:1979:42, page 665, point 16.
[283] Karmel (2008) 1692.
[284] Begg (2009) 1112.

the capital markets union (CMU).[285] Some commentators have suggested that since London, Europe's financial center, no longer belongs to the EU securities market due to Brexit, the viability of the CMU can be seriously questioned.[286] On a more positive note, Rosas and Armati have suggested that Brexit is unlikely to hinder the integration of the EU.[287] On the contrary, they argue that amending EU primary and secondary law might be easier in a post-Brexit Union given the opposition of the UK to commit to deeper European integration.[288]

EU securities law has evolved significantly throughout the years and it currently comprises of a host of directives and regulations. Regulations have become the preferred legislative instrument of the Commission in recent years as opposed to directives in order to forego issues with national implementation and to increase integration of the securities markets in the EU.[289] I will focus here on some of the most central aspects of the EU securities regulatory framework, namely what constitutes a security under the EU securities regulation, the prospectus regime, and regulation on market abuse and insider dealing.

4.2.1 Defining Securities under EU Securities Law

EU financial legislation assigns substantial value to determining whether an instrument qualifies as a security, referred to as 'transferable security' in EU securities legislation.[290] The main definition of securities under EU securities law can be found in Article 4(1)(44) of MiFID II, under which shares, bonds or options or similar financial instruments are 'transferable securities'.[291] To qualify as a security within the meaning of uniform definition under EU securities regulation, the instrument has to meet three formal statutory requirements of transferability, standardization, and negotiability.[292] Securities are considered transferable when they do not contain obstacles that make their transfer impossible.[293] Securities are negotiable on the capital market which has the implication that

[285] European Commission, Commission Green Paper on Building a Capital Markets Union, COM [2015] 63 final (18 February 2015); See also European Commission, 'Action Plan on Building a Capital Markets Union' COM [2015] 468 final (30 September 2015).
[286] Busch, Avgouleas, and Ferrarini (2018) 1.22.
[287] Rosas and Armati (2018) 3.
[288] ibid.
[289] De Jong and Arons (2018) 11.13.
[290] The Prospectus Regulation (Art. 1(1), 2(a)) but also other central legislation such as Council Regulation (EU) No 596/2014 on Market Abuse [2014] OJ L 173/1 [hereinafter MAR] and MiFID regime regulate securities.
[291] Directive of the European Parliament and of the Council of May 15 2014 on markets financial instruments and amending directive 2002/92/EC and directive 2011/61/EU [2014] OJ L 173/349 [hereinafter MiFID II]. Under 2 Art. 4(1)(15) of MiFID II, securities fall within the larger category of financial instruments.
[292] Ferrarini and Giudici (2020) 132.
[293] Hacker and Thomale (2018) 645.

they are standardized instruments.[294] Negotiability is not a legal requirement in the same manner as transferability but instead it indicates the ease of exchange as a matter of fact.[295] Although the statutory definition of a security under EU securities law is seemingly unambitious, new financial innovations such as initial coin offerings (ICOs), online-mediated offerings where tokens registered on a blockchain are offered in exchange for cryptocoins, have caused many legal scholars to question the limits of a security under current EU securities law.[296] As of this writing, the CJEU has not given any decision regarding the definition of a security although such clarification might be warranted given the recent technological advancements in financial markets.[297]

4.2.2 The Prospectus Regime in the EU

To increase cross-border securities activity in the EU, the Prospectus Directive was adopted in 2003.[298] It has since been amended in 2010 and was replaced by the new Prospectus Regulation in 2019 as a keystone in furthering the implementation of the CMU.[299] The Prospectus Regulation has three key objectives: first, it aims to ease the administrative burden in connection with issuance of securities, especially for small and medium-sized enterprises (SMEs).[300] Secondly, it aims to increase the relevance of the prospectus as an information disclosure tool to potential investors, and lastly, it strives to align the prospectus disclosure requirements and other EU disclosure rules.[301] Because the Prospectus Regulation is, as its name suggests, a regulation, it is directly applicable in all the member states,

[294] Ferrarini and Giudici (2020) 132.
[295] Hacker and Thomale (2018) 645.
[296] See Maume and Fromberger (2019) for a comparative analysis of the regulation on ICOs in the EU and the U.S and Hacker and Thomale (2018) for an analysis of the applicability of EU securities regulation to ICOs.
[297] Maume and Fromberger (2019) 573–574.
[298] Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market [2003] OJ L 345/64, amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market [2010] OJ L 327/1.
[299] Council Regulation (EU) 1129/2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market [2017] OJ L 168/12 [hereinafter the Prospectus Regulation].
[300] European Commission, Proposal for a Regulation of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, COM [2015] 583 final (European Commission, Final Proposal for a Regulation on the Prospectus).
[301] ibid.

reducing legislative inconsistencies and aiming at uniform application of rules in different member states.[302]

Three central concepts limit the subject matter and scope of the Prospectus Regulation: securities, offer to the public, and regulated market.[303] Since I have already reviewed key elements of a security under EU securities regulation, I will now review the two remaining concepts. The legal obligation to publish a prospectus under the Prospectus Regulation is triggered in two instances: when securities are offered to the public and/or when securities are admitted to trading on a regulated market.[304] The two triggers can also coexist, as in an initial public offering (IPO), where shares are both offered to the public and allowed for future trading via a regulated market.[305] The first trigger, 'an offer of securities to the public' is defined under Article (2)(d) of the Prospectus Regulation as 'a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe for those securities'. This definition excludes marketing material meant to test the interest of investors in a certain type of security without the possibility of already making an offer as well as the publication of bid or offer prices.[306] Case law of the CJEU guiding the interpretation of the first trigger has remained scarce.[307] The Court has, however, clarified that an offer in the context of an enforced sale of securities does not qualify as an offer of securities to the public.[308]

The second trigger for an obligation to publish a prospectus is the admittance of securities to trading on a regulated market.[309] 'Regulated market' under the Prospectus Regulation refers to a multilateral system bringing together multiple, third-party buying and selling interests in financial instruments resulting in a contract.[310] To qualify as a regulated market under the prospectus regime, admittance to the regulated market must be governed by rules or/and systems and additionally, it must be authorized and functioning regularly and in

[302] Teerink (2020) 20.
[303] Article 1(1), Prospectus Regulation.
[304] Article 1(1) and 2(d), (j), Prospectus Regulation.
[305] Lieverse (2020) 145.
[306] Recital 14 of Prospectus Regulation.
[307] Lieverse (2020) 148.
[308] Case C-441/12 *Almer Beheer BV and Daedalus Holding BV v Van den Dungen Vastgoed BV and Oosterhout II BVBA* [2014] ECLI:EU:C:2014:2226, paragraph 45. The Court reasoned that the nature of forced sale differs from normal sale of securities since its sole purpose is to pay a debt of the holder of the securities in question and since it is carried out in the context of legal proceedings (paragraph 39).
[309] Article 1(5), Prospectus Regulation.
[310] ESMA Questions and Answers on MiFID II and MiFIR market structures topics, 14.11.2018, ESMA 70-872942901-38, paragraph 5.1.

accordance with MiFID II.[311] The obligation to publish a prospectus is also geographically confined to an EU member state: admittance to trading of securities on a stock exchange outside the EU does not trigger the prospectus obligation under the Prospectus Regulation.[312]

The Prospectus Regulation allows different types of exemptions to the obligation to publish a prospectus.[313] Exemptions can be categorized into four main groups: those that are connected to the type of securities offered, small offerings, an offer of securities to the public without admittance on a regulated market, and lastly, exemptions specific to an admittance to trading on a regulated market.[314]

The IPO prospectus of an EU-based company with admission to trading of its shares on a stock exchange qualifying as a regulated market in the EU has to be approved by the competent authority in the EU member state.[315] Following from the free movement of services and principle of home country control, once a prospectus has been approved by the competed authority of the member state where the company has its registered office, the prospectus should be valid in the whole European Economic Area (EEA).[316] Currently, there is no central EU-wide authority akin to the U.S. federal agency Securities and Exchange Commission (the SEC) to approve prospectuses of companies seeking to be listed. The Commission proposed centralizing prospectus approval under certain conditions, but due to political disagreements, this suggestion did not gain popularity and it was subsequently rejected.[317] Di Noia and Gargantini have argued that the failure of the Commission's suggestion indicates that the time was not yet ripe for the creation of one single central authority but rather that adding the European Securities and Markets Authority (ESMA) as the 28th competent authority to approve a prospectus could pave the way for a possible future EU-wide central authority.[318] Currently, ESMA's fourfold activities include risk assessment, completing a single rulebook for EU financial markets, promoting supervisory converge,

[311] Lieverse (2020) 150.
[312] Article 1(1), Prospectus Regulation.
[313] Lieverse (2020) 151.
[314] ibid.
[315] Article 20 in combination with the definitions of 'Home Member State', 'approval' and 'competent authority' in Article 2, Prospectus Regulation.
[316] Di Noia and Gargantini (2020) 369–370. In addition to EU member states, the EEA comprises of Iceland, Liechtenstein, and Norway.
[317] See the European Parliament, Legislative Resolution, COM(2018)0646—C8-0409/2018—2017/0230(COD), 16 April 2019 and European Parliament, Confirmation of the final compromise text with a view to agreement on the Amended proposal for a Regulation of the European Parliament and of the Council (2017/2030(COD)), 7940/19 1, COM(2018)0646—C8-0409/2018—2017/0230(COD) (29 March 2019).
[318] Di Noia and Gargantini (2020) 388.

and direct supervision of specific financial entities such as credit rating agencies.[319] The existence of a powerful federal securities supervisor in the U.S. (the SEC) in contrast to absence of a supranational supervisor in the EU counts as one of the most significant differences in securities regulation between the U.S. and the EU.[320]

4.2.3 Information Disclosure Obligations and Inside Information

The EU prospectus regime complements the obligations bestowed upon companies listed on an exchange concerning ongoing and periodic (found in Transparency Directive) and ad hoc reporting obligations (found in MAR).[321] This is due to the fact that the Prospectus Regulation focuses on the initial disclosure requirements for public offerings or listings on a regulated market while the primary purpose of the Transparency Directive and MAR is to protect investors already holding securities.[322] MAR also includes a statutory definition of 'inside information'.[323] In contrast to EU securities regulation, case law of the CJEU has played an important role in shaping what constitutes inside information under EU law.[324]

Inside information under Article 7(1)(a) of MAR is regarded such information that is (1) precise, (2) non-public, (3), relating, directly or indirectly, to one or more issuers or to one or more financial instruments, and (4) if it were made public, would be likely to have a significant effect on the prices of the financial instruments or on the price of related derivative financial instruments. These four cumulative conditions for information to qualify as inside information have caused challenges in their interpretation.

The first element of inside information under MAR is the nature of information as 'precise'.[325] The purpose of this criterion is to ensure that speculation, opinion, and rumors fall out of the scope of inside information.[326] Precision of information is evaluated considering two factors. First, information is deemed to be precise under MAR Article 7(2) if the information indicates a set of circumstances which exist (or may reasonably be expected to come into existence) or an event which has occurred or may reasonably be

[319] ESMA (2020), 'Who we are'.
[320] Boskovic, Cerruti, and Noel (2010) 1.
[321] Articles 4 and 5, Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending directive 2001/34/EC [2004] OJ L 390/38 [hereinafter the Transparency Directive]; Article 17(1), MAR.
[322] Leocani (2020) 340.
[323] Article 7(1)(a), MAR.
[324] Moloney (2014) 714.
[325] Article 7(1)(a), MAR.
[326] Moloney (2014) 720.

expected to occur. Expression 'events that may reasonably be expected to come into existence' covers future events that based on an overall evaluation have a realistic prospect of coming into existence or an event to occur.[327] Only information that relates to circumstances or events whose realization is unrealistic, unlikely or information concerning them otherwise vague falls out of the scope of the first factor of the precision requirement.[328] Secondly, precision of information is evaluated against specificity: information is sufficiently specific if it would allow a reasonable investor to make an investment decision without or with low level of risk and if it would constitute knowledge that would most likely be exploited in the market immediately.[329] Interestingly, the direction of the effect on prices does not need to be known for the information to meet the first requirement of precision.[330] This interpretation has been criticized among others by Klöhn and Veil who view that without knowing whether the price effect will be negative or positive, investors cannot take advantage of the information in their investment decisions.[331] On the other hand, Hansen has suggested that even without knowing the direction of the price effect, investors could still engage in protective actions against the risk.[332]

The second element of inside information is its non-public nature.[333] MAR does not detail to what extent dissemination of information transforms information to public. Relying on market egalitarianism, which is allowing investors to trade on an equal basis, suggests that price-formation process should reflect efficiently the available information; therefore for instance disclosing information to an influential group of institutional investors with power to move the market price could suffice to make the information non-public.[334] Decisive is then the extent to which the information has been *de facto* disseminated to the public regardless of the channel, even incorrect disclosures or media coverage can cause the information to become non-public.[335] In addition to not explicating the exact process whereby information becomes public, MAR also does not specify a time period after which information no longer qualifies as inside information. Again, if we analyze this from the

[327] Sedbom (2017) 846.
[328] Case C-19/11 *Markus Geltl v Daimler AG* [2012] ECLI:EU:C:2012:397, paragraphs 41–49, 56.
[329] Di Noia and Gargantini (2012) 499.
[330] Case C-628/13 *Jean-Bernard Lafonta v Autorité des marchés financiers* [2015] ECLI:EU:C:2015:162, paragraph 39.
[331] Klöhn (2015) 173–175, 179–180; Veil (2017) 205.
[332] Hansen (2017) 29.
[333] Article 7(1)(a), MAR.
[334] Moloney (2014) 721. Under recital 24 of MAR, the purpose of the regulation is to protect the integrity of the financial market and to enhance investor confidence, which confidence is based on the assurance that investors will be placed on an equal footing and protected from the misuse of inside information.
[335] Staikouras (2008) 781.

perspective of equality of access, insiders should wait until all investors have had an opportunity within reason to access and react to the new information.[336]

Third, for information to be classified as inside information under Article 7(1)(a) of MAR, information should relate either directly or even indirectly to issuers or financial instruments. Fourth, Article 7(4) of MAR classifies information that might impact the price, material information, as inside information.[337] Materiality requirement can be assessed by employing a probability/magnitude test: a piece of new information can be considered material if it would alter the existing mix of available material information and a reasonable investor would be likely to use it as a part of making an investment decision.[338] Evaluation on whether the information fulfills the materiality requirement and would be taken into account by a reasonable investor needs to be conducted based on the relevant information available at the time of the alleged abuse of information took place, *ex ante*.[339]

Article 8(4) of MAR prohibits concern five categories of primary insiders in possession of inside information such as members of administrative or management bodies of the issuer. The list is, however, non-exhaustive as Article 8(4) of MAR extends the prohibition of inside information obtained by 'any legal or natural person' in circumstances other than mentioned in MAR and they 'know or ought to know that it is inside information'. This extension to the so called secondary insiders is somewhat more limited than to primary insiders since secondary insiders must have acted intentionally or negligently.[340] For primary insiders it suffices that they have been in possession of insider information and based their investment decision on that information.[341]

The prohibitions laid down in Article 14(a) of MAR relate to three types of behaviors: dealing, recommending/inducing, and disclosing.[342] First, a primary insider must not engage or attempt to engage in 'insider dealing', that is, using the inside information by acquiring or disposing of financial instruments to which the information relates on his own account or

[336] Moloney (2014) 722.
[337] ibid.
[338] Sedbom (2017) 853; See also Opinion of Advocate General Mengozzi Case C-19/11 (*Geltl*), paragraph 101 and footnote 32. In this opinion Mengozzi refers interestingly to the U.S. Supreme Court case *Basic Inc. v. Levinson*, 485 S.Ct. 224 (1988), in which the conduct of a reasonable investor was evaluated using probability/magnitude test. The legal construct of reasonable investor as opposed to a macro market impact modeling the U.S. approach has since been codified into the EU insider dealing regulation (Moloney, 2014:722). References to a reasonable investor are found in recital 14 and Article 7(4) of MAR.
[339] MAR, Recital 14. See also Staikouras (2008) 786.
[340] Kinander (2019) 12.
[341] ibid.
[342] Article 8, 10, 14, MAR.

for the account of a third party, either directly or indirectly.[343] Secondly, it is also prohibited to recommend to another person that they engage in insider dealing or induce another person to engage in insider dealing under Article 14(b). If a person engages in inside dealing based on a recommendation or inducement and the person knew or ought to have known, acting intentionally or negligently, their conduct is prohibited as inside dealing under Article 8(3) of MAR. Lastly, improper disclosure is also prohibited; persons must not unlawfully disclose inside information to any other person unless the disclosure is a normal part of their employment, profession or duties.[344]

4.3 Securities Law in the U.S.

The U.S. securities market is the largest in the world, largely due to the magnitude of the U.S. economy.[345] Since regulation of securities markets in the U.S. falls primarily in the authority of federal law, I will exclude state securities ('blue sky') laws from the analysis.[346] The primary focus of the U.S. securities regulation has been on the protection of the so called 'retail investors', that is individuals and households buying stock and bonds to accumulate personal savings.[347] However, the share of institutional investors such as investment, pension funds and insurance companies has been on the rise in the U.S. since the 1950s, although retail investor protection continues to hold importance in policy and politics.[348] I will focus my analysis of the U.S. securities regulation on the two most prominent federal statutes governing securities transactions, enacted in the aftermath of the 1929 Stock Market Crash.

The Securities Act of 1933 ('The 1933 Act') regulates how companies issues corporate securities in the primary markets, markets for issuing new securities and the Securities Exchange Act of 1934 ('The 1934 Act') regulates the purchase and sale of securities in the secondary markets, markets for trading existing securities. [349] The 1934 Act also established the federal agency Securities and Exchange Commission (the SEC) with broad authority over all aspects of the U.S. securities industry, *inter alia*, the power to enforce securities laws and to implement additional regulations.[350] The primary legislative purposes of these acts can be summarized as the prevention of abuses in an unregulated securities market

[343] Article 8(1), MAR.
[344] Article 10(1), MAR.
[345] U.S. Department of Commerce, Bureau of Economic Analysis, 'National Income and Product Accounts, Gross Domestic Product: Fourth Quarter and Annual 2017' (Second Estimate) (28.2.2018).
[346] Cox, Hillman, and Langevoort (2013) 18-20.
[347] Langevoort (2009) 1025.
[348] Coffee Jr. (2007) 293.
[349] 15 U.S.C. § 78a–78mm; 15 U.S.C. § 77a–77aa.
[350] SEC, 'The Laws that Govern the Securities Industry', (1.10.2013).

through requirements to disclose adequate information to investors and prohibition of fraudulent securities transactions.[351]

4.3.1 Defining Securities under U.S. Securities Law

Determining whether a financial contract qualifies as a security under U.S. law is vital, as U.S. securities regulation does not apply to financial contracts not deemed as securities. Which financial contracts qualify as securities and are thus subjected to securities regulation under the U.S. federal law has been a debated issue since the enactment of the 1933 and 1934 Act.[352] The ambiguity around what constitutes a security stems from the broad statutory definition found both in the provision of the 1933 Act and the 1934 Act, what Cox, Hillman, and Langevoort have described as 'a lawyer's dream'.[353] In the classic case *Landreth Timber Co. v. Landreth* on interpreting the breadth of the statutory definition of a security, the U.S. Supreme Court stated that courts should presume any financial instruments designated as a note, stock, bond, or other instrument named in the 1933 Act and 1934 Act to be a security.[354] If the financial instrument in question is not specifically mentioned in the non-exhaustive list found in the acts, such as shares and bonds, the courts apply a four-part *Howey* test.[355] In the 1946 case *SEC v. W.J. Howey Co.* the U.S. Supreme Court defined a security as: (1) an investment of money (2) in a common enterprise with the (3) reasonable expectation of profit gained (4) primarily or substantially from others' efforts.[356] It is thus its economic function that determines whether a transaction falls within the definition of a security.[357] The Howey test also reflects a flexible 'substance over form' approach to defining a security since the focus is on the outcome rather than on the appearance of the financial vehicle.[358]

4.3.1 Registration under the Securities Act

Under Section 5 of the 1933 Act, an issuer has to register with SEC before making a public offering unless the offering qualifies for an exemption from the registration requirement.

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[351] *United Housing Foundation, Inc. v. Forman*, 421 S.Ct. 837 (1975) at 849. See also U.S. Securities and Exchange Commission, 'The Laws that Govern the Securities Industry', (1.10.2013).
[352] Albert (2011) 1.
[353] Cox, Hillman, and Langevoort (2013) 27. Riccio (2007:15) has noted that the legislative purpose with a broad definition of a security was to provide flexibility as the drafters could not anticipate all possible future investment products. Rechtschaffen (2019:289) has in turn explained that the purpose of the broad definition was to improve investors' confidence in the markets.
[354] *Landreth Timber Co. v. Landreth*, 471 S.Ct. 681 (1985).
[355] Maas (2009) 47.
[356] *Securities and Exchange Commission v. W.J. Howey Co.*, 328 S.Ct. 293 (1946). The Howey test has since been refined in *SEC v. Edwards*, 540 S.Ct. 389 (2004).
[357] Castellano (2012) 465.
[358] *United Housing Foundation, Inc. v. Forman*, 421 S.Ct. 837 (1975).

Securities exempted from registration include instruments that are deemed with an inherent low risk, are regulated by other statues, or do not count as real investments.[359] Exempted instruments cover government securities, bank securities, short-term notes, nonprofit issues, and insurance policies and annuity contracts. A through discussion on the nuances of the exemptions is out of the scope of this study although they play a central part in fully comprehending U.S. securities regulation.

Registration culminates in the issuer of securities filing a written registration statement and prospectus with the SEC.[360] The information included in a registration statement can be categorized into four main groups: information about the issuer, information about the distribution and use of its proceeds, a description of the securities, and finally, several exhibits and undertakings required as a part of the registration statement.[361] Similarly, the prospectus should contain the first three categories of information.[362] Although the SEC reviews the registration to ensure that it complies with information disclosure requirements and its staff may require clarifications or corrections from the issuer, the SEC refrains from making any judgments about the quality or safety of the securities to be issued.[363] This approach reflects reliance on the 'efficient market hypothesis', the notion that publicly disclosed information without the screening of a supervisory authority is judged to be reliable by market participants.[364]

Market communications during the filing process are restricted under section 5 of the 1933 Act. The filing process can be divided into three phases: prefiling, waiting, and post-effective period.[365] During prefiling before filing a registration statement with the SEC offering or selling securities is prohibited.[366] Some safe harbor rules allow permissible communications to the public without violating the section 5 of the 1933 Act.[367] According to Cox et al., these safe harbor rules are a balancing act between the needs of a company in the registration process to release information about itself for commercial purposes to its stakeholders and on the other hand, the requirement of Section 5(c) not to condition the market.[368] In 2005 the

[359] Cox, Hillman, and Langevoort (2013) 249.
[360] Section 6 and 10(a) of the 1933 Act.
[361] Cox, Hillman, and Langevoort (2013) 137.
[362] ibid.
[363] The review process is described on the SEC's website, SEC Division of Corporate Finance, 'Filing Review Process'.
[364] Leocani (2020) 337.
[365] Cox, Hillman, and Langevoort (2013) 154.
[366] Section 5(c) of the 1933 Act.
[367] See 17 CFR (the Code of Federal Regulations) § 230.168, 169 and 163a.
[368] Cox, Hillman, and Langevoort (2013) 161.

SEC loosened some restrictions on the communications during the quiet period by allowing a 'free writing prospectus' through Rule 164 and Rule 433 of the 1933 Act. Some scholars have been skeptical of these reforms arguing that not only did the SEC exceed its congressional mandate to issue exemptions but through the reform the SEC also catered to the interests of those it was set out to regulate in the name of market efficiency and access to capital for corporate America at the cost of investor protection.[369]

The waiting period is the time between the filing date and the effective date of the registration statement when the SEC review the information by the issuer.[370] During the waiting period the securities can be offered but not sold.[371] The issuer can distribute preliminary prospectus ('red herring prospectus') to potential investors.[372] Additionally, another type of advertisement officially called Communications not deemed a prospectus, generally known as a tombstone ad, can be published during the waiting period.[373] The post-effective period starts after the SEC has declared the registration statement effective and ends when the issuer has sold all the securities offered or withdraws from the sale.[374] During the post-effective period the issuer is allowed both to offer and sell securities if the buyer has received a final prospectus.[375]

4.3.2 Securities Exchange Act of 1934

Whereas the 1933 Act regulates the disclosure of information in issuance of securities as a one-time event, the 1934 Act requires periodic and ongoing disclosure by issuers of publicly held securities to inform current and potential shareholders.[376] The 1934 Act governs the trading of securities in the secondary markets by requiring registration of issuers of publicly traded securities.[377] In a nutshell, the 1933 Act registers securities whereas the 1934 Act registers companies. The 1934 Act also contains provisions concerning insider trading and prohibitions of fraud and manipulation in securities transactions.[378] Next I will focus on the provisions of the 1934 Act that are most central to the prohibition of different forms of insider trading.

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[369] See Morrissey (2007) 564, 607.
[370] Cox, Hillman, and Langevoort (2013) 164.
[371] Section 5(c) of the 1933 Act.
[372] Cox, Hillman, and Langevoort (2013) 165–166.
[373] 17 CFR § 230.134.
[374] Cox, Hillman, and Langevoort (2013) 174.
[375] Section 5(a)(1), (2) of the 1933 Act.
[376] Section 13 of the 1934 Act.
[377] Section 12 of the 1934 Act.
[378] See Section 10(b) and Rule 10b-5 of the 1934 Act for a definition of an insider and Section 10(b) of the 1934 Act for prohibition of the use of manipulative and deceptive devices.

The regulation of insider trading has been described as a 'brand' symbol for U.S. style securities regulation with the aim of promoting fair play in the stock markets.[379] Under U.S. law, and more specifically under Section 10(b) of the 1934 Act and Rule 10b-5380, insiders can be corporate officers, directors, employees, lawyers, consultants, accountants, majority shareholders, or any other individuals who receive private information regarding the trading of securities. The 1934 Act bans three types of insider trading: section 16 focuses prohibits on short-swing trading, section 10(b) bans classic insider trading, and misappropriation is a violation of §10(b) of the 1934 Act.

Section 16 of the 1934 Act concerns statutory insiders; officers, directors, and controlling stakeholders with an ownership stake of the company exceeding 10 %. Statutory insiders are required under section 16(a) to fulfill two separate requirements: first, they must report their ownership and trading of the company's securities to the SEC. Secondly, they have to return all profits made from the sale of company stock within any six-month period to the company; short-swing profits, hence the name short-swing trading. Since section 16(b) imposes strict liability on statutory insiders earning profits from short-swing sales, even in the absence of market abuse or use of inside information the insiders have to turn over the profits to the company.

Section 10(b) includes a prohibition of classic insider trading. A corporate insider has engaged in insider trading if that person has material, nonpublic information and he or she breaches a fiduciary duty to their company by trading on the information regardless of whether they earn a profit or not.[381] According to the SEC, insiders are subjected to 'abstain or disclose' rule in that an individual with material inside information should either refrain from using the information or disclose the information to the other parties involved in the transaction.[382] Under the test laid down in *Chiarella v. Unites States*, insiders not only include officers and directors of the company but also anybody entrusted with corporate information for a corporate purpose and the corporation has a proper purpose for keeping the information confidential.[383] The U.S. Supreme Court held that the 'abstain or disclose'

[379] Langevoort (1999) 1329. Some U.S. legal scholars drawing on economics have argued instead that insider trading regulation is counterproductive since if hinders price adjustment to new private information (Carlton and Fischel, 1983:894–895).
[380] 17 CFR § 240.10b-5.
[381] Cox, Hillman, and Langevoort (2013) 910–911.
[382] *Matter of Cady, Roberts & Co.*, 40 SEC 907 (1961).
[383] *Chiarella v. Unites States*, 445 S.Ct. 222 (1980). See also *Dirks v. SEC*, 463 S.Ct. 646 (1983) where the Supreme Court held that even corporate outsiders such as underwriters, accountants, lawyers or consultants may have confidential nonpublic information that they must refrain from disclosing as a fiduciary duty to the shareholders.

rule applies only to those who owe a fiduciary duty to the company. Fiduciary duty can also be broken when an insider does not trade on insider information him or herself but instead passes on the information to somebody else, a tippee, who then in turn engages in insider trading.[384] Insiders are liable as tippers if they reveal material, nonpublic information about their company violating their fiduciary duty (1) knowing that the information is confidential and (2) they benefit or expect to benefit directly or indirectly.[385] Tippees can be held liable even if they have no fiduciary relation to the company if they (1) trade on the information, (2) they know it to be confidential, (3) they know it came from an insider violating their fiduciary duty, and the (4) insider benefited or expected to benefit.[386]

In addition to prohibitions of short-swing trading and classic insider trading by corporate insiders, the U.S. securities regulation has expanded its scope to curb insider trading in accordance with the misappropriation theory.[387] In *United States v. O'Hagan* the Supreme Court officially endorsed the misappropriation theory clarifying as its aim the promotion of investor confidence through honest securities markets and its applicability to rule 10b-5.[388] Rule 10b-5 is a catch-all provision and the most central anti-fraud securities rule as it applies to 'any person' who 'defrauds' another person in the 'purchase or sale of any security'.[389] The misappropriation theory holds that it is illegal for individuals who have material nonpublic information but owe no fiduciary duty to the company's shareholders to reveal or make use of insider information as this would constitute a breach of duty to the source of information.[390] All in all, it can be concluded that the U.S. securities black law and common law precedents prohibit a wide range of uses of insider information to achieve fairness in the securities markets.

4.4 Banking Law in the EU

The EU banking law is a set of provisions of European financial law with two main goals.[391] The first objective is to materialize the two basic freedoms of the TFEU: the freedoms of EU credit institutions[392] to set up branches and to provide financial services without

[384] Almousa (2016) 1259.
[385] See *Dirks v. SEC*, 463 S.Ct. 646 (1983).
[386] ibid.
[387] Almousa (2016) 1258.
[388] *United States v. O'Hagan*, 521 S.Ct. 642 (1997).
[389] Cox, Hillman, and Langevoort (2013) 905.
[390] ibid 916.
[391] Gortsos (2019) 19.
[392] The term 'credit institution' is used systematically in EU banking law since 1977 in reference to 'banks' (Gortsos, 2019:19).

establishment in other member states as a part of negative financial integration.[393] The second objective aims at ensuring the stability of the European banking system that can be threatened by contagious failures of credit institutions to achieve positive financial integration.[394]

Spurred by the financial turmoil of 2007-09 and its aftermath, the idea of establishing a European Banking Union (EBU) was put forth in 2012.[395] The underlying motivation behind the EBU was to create a stronger and more centralized system of financial supervision and resolution to restore credibility and stability to the euro area banking system by breaking the vicious circle between banks and sovereign states.[396] What does a banking union in European context in practice entail? The EBU can be understood as a europeanized bank safety net comprising of three pillars: the Single Supervisory Mechanism (SSM), the Single Resolution Mechanism (SRM), and the Common Deposit Guarantee Scheme (DGS).[397] Next, I will analyze main features of these three pillars as well as evaluate the effectiveness of the EU financial safety net.

4.4.1 European Banking Union: A Tale of Three Pillars

The EBU is founded on several types of legal acts varying from EU secondary legislation to an assortment of soft law instruments such as guidelines and recommendations.[398] The variety in legislative instruments and absence of full harmonization in forming the EBU entails that member states enjoy levels of discretion, creating a complex structure with idiosyncratic organizational features.[399] The institutional and regulatory initiatives towards establishing the first two pillars of the EBU took place during 2013 and 2014.[400]

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[393] This concept is called the EU single passport introduced by the Second Banking Directive (89/646/EEC Second Council Directive of 15 December 1989 on the coordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions and amending Directive 77/780/EEC [1989] OJ L 386/1) when referring to the freedom that credit institutions have in the EU to determine where they want to be established and under which legal form.
[394] Gortsos (2019) 19.
[395] Communication from the European Commission, European Commission calls for a Banking Union, at 16, COM [2012] 299 final (May 30, 2012).
[396] European Commission, A Roadmap towards a Banking Union, COM [2012] 510; European Council Conclusions, 14-15 March 2013, paragraph 13.
[397] European Central Bank, Financial Integration in Europe (May 2017) 26–27. Also the term 'EDIS' is used in reference to the third pillar, derived from 'European Deposit Insurance Scheme'.
[398] Türk (2019) 41.
[399] ibid; Ferran and Babis (2013) 255.
[400] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions [2013] OJ L 287/63 [hereinafter the SSMR]; Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 [2014] OJ L 225/1 [hereinafter the SRMR],

The first pillar, the SSM, was realized within the existing Treaty framework based on Article 127(6) of the TFEU. This article grants the power to the Council to confer on the ECB specific tasks related to the prudential supervision of credit institutions.[401] The ECB was given the authority to directly supervise credit institutions in the Eurozone and non-euro area participating member states categorized as 'significant'.[402] The significance of the credit institutions is evaluated based on the total value of their assets, their importance for the economy of the country in which they are located or the EU at large, the scale of their cross-border activities, and whether they have been recapitalized by public funds.[403] Banking supervision in the EU is not, however, completely denationalized; there is no single supervisory authority since the supervision of 'less significant' institutions is under the remit of national competent authorities (NCAs) while the broad oversight of the financial markets sits with the ECB.[404] Although the separation of jurisdiction between the ECB and the NCAs seems at first glance clear-cut, recent case law of the CJEU demonstrates that the extent to which the ECB holds all the necessary corresponding national powers (i.e. powers provided in national law) is unclear.[405]

The second pillar, the Single Resolution Mechanism, is complementary to the first supervisory pillar as the resolution pillar.[406] The normative foundation for SRM is found in the Bank Recovery and Resolution Directive (BRRD) and the SRM regulation.[407] The SRM is a central institution for bank resolution in the EU applicable to troubled banks from member state within the Eurozone or that are established in a member state choosing to participate in the EBU.[408] The SRM aims to resolve failing banks with minimal impact to tax payers and the real economy.[409]

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and the Intergovernmental Agreement (No 8457/14) on the transfer and mutualisation of contributions to the Single Resolution Fund [hereinafter the SRF Agreement].

[401] Türk (2019) 42.

[402] Article 6, SSMR.

[403] Article 6(4), SSMR.

[404] D'Ambrosio (2019) 161; Ferran (2014) 61.

[405] See recent Cases T-712/15 and T-52/16 *Crédit mutuel Arkéa v ECB* [2017] ECLI:EU:T:2017:900 and ECLI:EU:T:2017:902. Although the concept 'group subject to prudential supervision' was deemed to fall within the remit of the ECB's supervisory tasks, irrespective of whether or not the group's central body has the status of credit institution (paragraphs 87, 93), no clarification was provided as to whether it is the ECB or an NCA that has the competence to make use of the relevant supervisory powers concerning the group's central body.

[406] Türk (2019) 53.

[407] Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms [2014] OJ L 173/190 (Also known as the Banking Recovery and Resolution Directive or BRRD).

[408] Recital 15, SRMR.

[409] Recital 3, 19, SRMR.

How exactly the SRM operates is complicated.[410] In case of a bank fail, the SRM allows bank resolution to be managed through the Single Resolution Board (SRB), a new EU resolution authority with centralized decision-making powers with respect to resolution.[411] The SRB drafts resolution plans consisting of specific actions to be taken by national resolution authorities under different bank failure scenarios based on the information received form each credit institution.[412] The SRB is the only institution with competence to activate the resolution process.[413] The BRRD requires that shareholders and creditors of a bank undergoing resolution must be 'bailed-in', in other words absorb losses, for a minimum of 8 percent of the bank's total liabilities before public funds are used.[414] The SRB is accompanied by the Single Resolution Fund (SRF) financed *ex ante* by the banking sector covered by the SRM.[415] The SRF provides a fiscal backstop that enables credit institutions to stay in operation until relevant resolution tools have been implemented.[416]

The third pillar of the EBU, European Deposit Insurance Scheme, builds on the system of national deposit guarantee schemes (DGS) regulated by Directive 2014/49/EU. Under the directive, all deposits up to €100 000 are protected through national DGSs in the EU.[417] The Commission published a proposal for a Regulation to establish a European Deposit Insurance Scheme (EDIS) to complement the existing national deposit insurance funds.[418] EDIS would ensure that deposits are protected to the same degree across the EBU.[419] The proposal includes three steps toward an EDIS: the 're-insurance phase', the 'co-insurance phase' and the 'full insurance'.[420] In the re-insurance a national DGS can access EDIS funds only when it has first exhausted all its own resources.[421] In the co-insurance phase DGS would not be required to exhaust its own funds before EDIS would contribute a share of the costs from the moment that bank depositors need to access their funds.[422] Lastly, the full

[410] Howarth and Quaglia (2014) 138.
[411] Türk (2019) 54.
[412] ibid.
[413] ibid.
[414] Article 37(10)(a), BRRD.
[415] ibid.
[416] ibid.
[417] Recital 21, Directive 2014/49/EU.
[418] Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) 806/2014 in order to establish a European Deposit Insurance Scheme, COM (2015) 586 final.
[419] Teixeira (2019) 150.
[420] Morra (2019) 397.
[421] ibid.
[422] ibid.

insurance phase entails that full funding of liquidity needs and all losses due to a payout event or contributions to resolution are covered by EDIS.[423]

EDIS has not yet been realized which means that also the EBU remains incomplete.[424] Reasons for this include EU member states' divergent positions on the design of the system and its final stage, as well as the timing of the setting up the system.[425] Additionally, many laws that impact management of banking crisis such as insolvency laws have not been fully harmonized.[426] Mario Draghi, the former president of the ECB, has argued that the combination of the SRM and EDIS could lead to a European version of the U.S. Federal Deposit Insurance Corporation.[427]

4.4.2 Financial Safety Net in the EU – Currently Inadequate?

Currently the financial safety net at the EU level comprises mainly of the ECB, the Basel Committee on Banking Supervision, national deposit guarantee systems, and financial supervisory system at national and EU level.[428] Dománska-Szaruga has warned that the financial safety net in the EU is inadequate since the European system of financial supervision in its current form is a hybrid form of transnational and national actors, causing challenges in coordination of unified supervision.[429] In a similar vein, Gelpern and Véron have lamented that without a European deposit insurance, creating a full safety net for the banking sector in the EU is challenging.[430]

Banking market in the retail sector has not been significantly integrated at the EU level since regulation of retail banking has been largely been a national, not an EU level, matter.[431] The SSM supervision carried out by the European Central Bank (ECB) at the EU level since 2014 has reduced the fragmentation of the European banking system.[432] However, despite efforts to increase financial integration through the Banking Union, the EU has yet to reach 'domestic' banking market as banks are still associated with their respective sovereigns and differences between banking systems in different member states persist.[433]

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[423] ibid.
[424] Chiti and Santoro (2019) vi.
[425] Morra (2019) 400.
[426] ibid 399.
[427] Draghi (2018).
[428] Dománska-Szaruga (2013) 262.
[429] Dománska-Szaruga (2013) 260, 267.
[430] Gelpern and Véron (2018) 175.
[431] European Central Bank, Financial Integration in Europe (May 2017) 26.
[432] Morra (2019) 398.
[433] Teixeira (2019) 149; Morra (2019) 398.

4.5 Banking Law in the U.S.

The regulatory framework of U.S. banking has been built over more than a century.[434] Its development has been a series of responses to and significant market developments which has caused the regulatory regime to become complex and fragmented.[435] The U.S. regulatory system can be characterized as 'functional' in that financial products or services are usually regulated according to their function as opposed to who offers the product or participates in the activity.[436] Banking regulation in the U.S. caters to multiple goals: perhaps the most important justification for regulation is excessive risk-taking of financial intermediaries but also protection of public claimants, elimination of externalities from the failure of intermediaries, and even attending to political visions underlying the regulatory landscape of U.S. banking.[437]

I will provide an overview of the distinct features of the U.S. banking regulatory framework prior to a similar introduction into the EU banking regulation which will pave the way for a comparison of the two banking regulatory systems. I will focus on key features of the U.S. banking regime, namely the dual banking system and prohibitions of interstate banking across state lines. I will introduce components of a U.S. financial safety net in banking: financial supervisory institutions, deposits guarantee system, and the central bank.[438]

4.5.1 Dual Banking System and Prohibitions on Interstate Banking

In the U.S. the usage of the term 'bank' is narrower compared to the broader concept of bank as a depository institution in European practice.[439] In the U.S. commercial banks are separated from other depository institutions such as thrifts and credit unions.[440] Here again we see that seemingly mundane words can take on different meanings depending on the jurisdiction, a reoccurring theme of this study.

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[434] GAO-13-180, 'Financial Regulatory Reform', United States Government Accountability Office (2013) 4.
[435] ibid.
[436] ibid. cf Barr, Jackson, and Tahyar (2016:79, 85) who see the U.S. system more as a hybrid system than purely functional. They argue that the U.S. system combines elements of first sectorial supervision where supervision is organized around sectors of financial services and secondly, the twin peaks approach, where regulatory responsibilities are organized by regulatory objectives.
[437] Barr, Jackson, and Tahyar (2016) 76–78.
[438] In some studies the term 'financial safety net' is used instead of 'government safety net', see for instance Dománska-Szaruga (2013:259).
[439] Gelpern and Véron (2018) 144.
[440] ibid.

A distinct feature of the U.S. bank regulation is the dual state-federal system of regulation, the dual banking system.[441] This dual bank chartering system consisting of federal and state level regulation entails that to open a commercial bank in the U.S., a charter from either a state or federal government is required.[442] Under the National Bank Act, the activities of federally chartered banks are limited to 'the business of banking' which generally excludes insurance and securities underwriting, real estate investment, and ordinary commercial activities.[443] The dual banking system of the U.S. as well as restrictions on bank activities has its historical roots in a federalist tradition marked by distrust of centralized power and consequently, hesitance to concentrate too much power in a national government.[444]

Depository institutions in the U.S. are regulated by an interconnected and overlapping web of different regulators. Namely the existence of a dual charter raises regulatory issues as opting for a federal or a national charter affects the choice of banking regulator(s).[445] National banks are chartered and supervised by the Office of the Comptroller of the Currency (OCC).[446] State banks in turn are chartered and supervised by state regulators.[447] Banks that are insured by the Federal Deposit Insurance Corporation are also regulated by the same entity.[448] Additionally, all national banks need to be members of the Federal Reserve and all Fed member banks must be insured by the FDIC, consequently all national banks are regulated by the Comptroller of the Currency, the Fed, and the FDIC.[449]

Another distinctive feature of U.S. banking regulation in addition to dual banking system and complex structure of multiple regulators is that the U.S. has historically imposed strict limits on the activities and affiliations of banks and their interstate expansion.[450] The McFadden Act of 1927 outlawed interstate branching entirely.[451] Prohibitions on interstate and even intrastate branching were driven by concerns that large banks would have excessively concentration of economic power, that they would restrict access to credit, misuse their economic power for political ends, or contribute to systemic risk, all this to the

[441] Barr, Jackson, and Tahyar (2016) 40–41.
[442] Wall, Nieto, and Mayes (2011) 5.
[443] National Bank Act, 12 U.S.C. § 24 ('Seventh').
[444] Barr, Jackson, and Tahyar (2016) 40–41.
[445] Wall, Nieto, and Mayes (2011) 5.
[446] 12 U.S.C. § 1 et seq.
[447] GAO-13-180, Financial Regulatory Reform, United States Government Accountability Office (2013) 4.
[448] ibid.
[449] Kroszner and Strahan (2014) 485.
[450] Barr, Jackson, and Tahyar (2016) 78.
[451] An Act to Further Amend the National Banking Laws and the Federal Reserve Act, Pub. L. 69-639, 44 Stat. 1224 (McFadden Act, 1927).

detriment of consumers.[452] A somewhat competing explanation attributes prohibition of interstate banking on states' economic interests: since states received only charter fees from banks incorporated in their respective state, states prohibited out-of-state banks from operating in their territories.[453] Due to market and technological pressures interstate banking restrictions were lifted by the passing of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 that repealed the McFadden Act's prohibitions and allowed banks to diversify geographically.

4.5.2 The Financial Safety Net in the U.S.

The Banking Act of 1933 (the Glass-Steagall Act) is a part of key legislation affecting the U.S. banking industry as this Act forced the separation of commercial banks from investments banks. Additionally, the Glass-Steagall Act created a nationwide deposit insurance by the establishment of the Federal Deposit Insurance Corporation (FDIC).[454] The FDIC can be seen to form one foundational elements of the U.S. financial safety net. Once again, this banking legislation was enacted as a response to crisis, more precisely banking panics and bank failures during the Great Depression in the 1930s.[455] Kirkegaard has argued that forming the FDIC counts as the greatest centralizing move of the U.S. banking sector since the FDIC acts as a single insurance provider for all Americans. [456]

Currently the FDIC guarantees that a depositor will receive the full account balance of deposit accounts up to USD 250,000 per insured bank in case of a bank failure.[457] After a bank fails, the FDIC typically pays immediately insured depositors and replaces them in bank liquidation enjoying a depositor preference at the expense of other creditors.[458] In addition to deposit insurance, the financial safety net in banking in the U.S. also comprises of the Federal Reserve System (the Fed).[459] The Fed was created by the Federal Reserve Act of 1913 with a dual mandate of aiming at full employment and price stability and serve as a lender of last resort to provide liquidity to banks during economic crises.[460] In international comparison, the U.S. was a latecomer to create a lender of last resort with two earlier failed

[452] Barr, Jackson, and Tahyar (2016) 714–716.
[453] Kroszner and Strahan (2014) 491.
[454] Banking Act of 1933 (Glass-Steagall Act), June 16, 1933.
[455] Gelpern and Véron (2018) 144.
[456] Kirkegaard (2018) 47–48.
[457] Federal Deposit Insurance Act, 12 U.S.C. § 1821(a); See also 'Understanding Deposit Insurance', FDIC (14.11.2019).
[458] Federal Deposit Insurance Act, 12 U.S.C. § 1811, et seq.
[459] Barr, Jackson, and Tahyar (2016) 47.
[460] Federal Reserve Act of 1913, section 2a

attempts to form a central bank.[461] This relates to historical debates discussed earlier, namely differing views between those that favored centralizing economic power to form a central bank and those that were hesitant to render centralized economic power and preferred to keep economic power more dispersed.[462]

4.5.3 Regulatory Response to the Financial Crisis

No contemporary discussion on banking regulation in the U.S. would be complete without at least a reference to the financial crisis of 2007–2009. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was enacted as an attempt to prevent another crisis and it can be seen to strike a balance between the forces of centralization and decentralization.[463] Whereas new federal agencies were created such as the Financial Stability Oversight Council (FSOC) with a mission of identifying risks to financial stability from large interconnected financial institutions and utilities and the supervisory role of the Fed was expanded to all systematically important financial institutions (SIFIs), the dual banking system remained unaltered.[464]

5. Conclusions

Determining the focus of comparative law has divided comparatists: many have viewed similarities of legal cultures as the point of departure whereas some have presumed differences[465]. These polarized stances have been interpreted to reflect a deeper paradigmatic dichotomy of nature versus cultural divide.[466] Although either views – or rather paradigms – have their merits, in this study I do not strictly adhere to either of these approaches. I will instead strive to give equal attention to both differences and similarities between the analyzed fields of law and in so doing, join the growing number of comparatists favoring the

[461] Barr, Jackson, and Tahyar (2016) 44.
[462] ibid 40–41.
[463] Gelpern and Véron (2018) 144.
[464] Gelpern and Véron (2018) 144. To view the list of the tasks of the FSOC, see Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, §112(a).
[465] Most notably, Zweigert and Kötz (1998) have in their seminal book 'An Introduction to Comparative Law' focused on the similarities across legal cultures adopting a *praesumptio similitudinis*. On the other hand, a vocal advocate of legal diversity has been Legrand (1999:102–103) for whom comparison is first and foremost about seeking differences. According to him, there are major differences in ways of thinking about law, what he has coined as legal mentality, *mentalité,* across legal cultures (Legrand, 1996:60). Legrand's notion of legal mentality bears some resemblance to the concept of mental program developed by social psychologist Hofstede in studying national cultures as programming of the mind that distinguishes the members of one group from another (Hofstede, Hofstede, and Minkov, 2010:4). Both views are ingrained with the idea that individuals are socialized into a given culture, be it legal or national, which becomes the operating system of the mind underlying the thoughts and actions of individual in the given culture.
[466] Samuel (2007) 230.

middle ground approach.[467] To raise the conceptual level of the analysis, I will also aim to identify underlying reasons for the found differences and similarities.

5.1 Explaining Differences in the EU and the U.S.

So far the focus has been on describing 'black letter law' and case law from the EU and the U.S. in the major areas of IPR law and financial markets law. This description has laid the necessary groundwork for mapping the legal landscape of both jurisdictions. To further the analysis of this study in the following section I will strive to identify and explain some of the major divergences in the intellectual property laws of the EU and the U.S.

5.1.1 Differences in Intellectual Property Rights

5.1.1.1 Patent Law

When comparing patent law in the EU and the U.S., at the onset of the analysis some fundamental differences need to be addressed. To begin with, the patent system in Europe is not based on merely EU legislation: the European Patent Office is not an EU institution, which entails that legally it is not bound by the Biotech Directive nor the case law of the CJEU.[468] The existence of EPO as outside the EU institutional and legislative structure dates back to the inception of the EU because since then there has been controversy surrounding whether the powers of the EU extend to legislating internal IP matters and especially patents.[469] However, starting from the 1990s the CJEU has considered purely external trade aspects of IPRs to fall within the exclusive jurisdiction of the EU and currently, the EU has the competence to harmonize even internal IP legislation.[470]

Adding to the legal pluralism in Europe is the current state of affairs that both the Unitary Patent and the Unified Patent Court have not yet been realized which means that enforceability of patents has been left to national European courts. Failure to harmonize EU patent law can be seen as factor leading to legal uncertainty and diminish the attractiveness of acquiring a patent in European countries, also creating a possibility for 'forum shopping' as litigants seek to find the national court most likely to favor their position. Additionally, the purpose of the European patent system differs from that of the U.S. patent system. The European patent system is driven by support for technological innovations since the EPO

[467] See Danneman (2019:421) for an insight into the ongoing debate between supporters of presumed similarity, advocates of differences as a priority, and those choosing an in-between position.
[468] Minssen and Nordberg (2015) 9.
[469] Kur, Dreier, and Luginbuehl (2019) 57–58, 98.
[470] Article 118 of the TFEU.

conceives inventions as patentable for their technical aspects.[471] In contrast, the purpose of the U.S. patent system is generally accepted as promoting the progress of practical, rather than technical, arts.[472]

Whereas computer programs are excluded from patents in Europe under the article 52(2) of the EPC, the U.S. has not traditionally explicitly excluded business methods or software inventions from patentability.[473] Although in *Bilski v. Kappos* the U.S. Supreme Court rejected a categorical exclusion of business methods from patent eligibility, only four years later in *Alice Corp. v. CLS Bank International* the same Court held that inventions claiming abstract ideas included in the framework of software or business methods are no longer patentable in the U.S. [474] This implies that inventions claiming abstract ideas included in the framework of software or business methods are no longer eligible for a patent in the U.S. and thus, the U.S. practice has taken a step closer to Europe.[475]

Article 53 of the EPC excludes inventions on the grounds of order public or morality. Similar morality-based exclusions are not found in U.S. patent law.[476] The EPC also contains explicit exclusions from patent eligibility such as scientific theories and computer programs but the U.S. patent clauses do not define which types of inventions or discoveries are excluded from patentability.[477] These differences can at least in part be explained by the generally accepted notion that rules governing unpatentable subject-matter should be based on the Constitution or the framer's intent.[478] However, some scholars have proposed that the framers' attitudes were more open for a wider concept of patentability than the conventional wisdom assumes and thus there are few Constitutional limits on patentable subject matter.[479] Landers has proposed that relying on historical definitions can be viewed as a liability when defining patentability as technology is bound to evolve constantly.[480] Whereas in Europe, the limits on patentability have been expressed mostly in positive law, in the U.S. it has been the task of the courts and the U.S. patent and Trademark Office (USPTO) to limit patent subject

[471] Pila and Torremans (2019) 158.
[472] Pila and Torremans (2019) 158; U.S. Constitution Article 1.
[473] Kur, Dreier, and Luginbuehl (2019) 180.
[474] See *Bilski v. Kappos*, 561 S.Ct. 593 (2010) and *Alice Corp. v. CLS Bank International*, 134 S.Ct. 2347 (2014).
[475] Kur, Dreier, and Luginbuehl (2019) 180.
[476] Nordberg and Minssen (2016) 169.
[477] The only exclusion from patent eligibility in the U.S. are nuclear weapons and this exclusion is not codified in the Patent Act, but instead in the Atomic Energy Act. 42 U.S.C. § 2181(a) (2000).
[478] Nordberg and Minssen (2016) 170.
[479] Oliar (2009) 453.
[480] Landers (2015) 130.

matter.[481] Which instance, the legislator or the court, should decide on the limits of patentability reflects a fundamental divide between the common law and Romano-Germanic law. In common law, precedents and courts play a decisive role in formulating legal rules whereas in Romano-Germanic law statutory law is seen to cover most if not all legal problems and the role of courts is to merely solve individual cases without wider implications.[482]

5.1.1.2 Copyright Law

One of the main distinctive features between the concept of copyright between the U.S. and the EU is their differing outlook on the existence of moral rights. Whereas common-law countries view that natural rights not to be an inherent part of copyright protection, civil law countries to which most EU member states belong to, recognize artists' moral rights to their work.[483] Consequently, the main rationale copyright protection in the U.S. is utilitarian: to promote the progress of the creative and expressive arts to advance societal culture, the primary social utility objective underlying copyrights regimes in many EU countries is based on the recognition of natural rights, 'droit d´auteur', according to which the authors have a personal connection with and responsibility for the works they create in a way that the works can be viewed as extensions of themselves.[484] Even though the U.S. became a signatory to the Berne Convention, since the Convention does not clearly articulate a method nor require the implementation of specific laws to address protection sufficient to comply with Article 6bis, the U.S. has been hesitant to embrace the concept of moral rights.[485]

The difference in copyright doctrine regarding moral rights in the EU and respectively in the U.S. is thus attributable to a divide between the legal cultures of the common law and civil law or Romano-Germanic law. To make further sense of the different outlook between U.S. and EU countries, we may turn to national culture as one viable explanation. American legal scholar Holst has explained the reluctance of the U.S. to incorporate the moral rights in its legal framework of IP protection on cultural grounds, 'Art and literary works were a fundamental part of European culture, while U.S. culture developed around industry and economy'.[486] A related explanation drawing on economic analysis explains the reluctance of

[481] Nordberg and Minssen (2016) 170.
[482] Husa (2015) 212–214.
[483] Hansmann and Santilli (1997) 96.
[484] Kelli et al. (2014) 109. See also Hansmann and Santilli (1997) 109–110; Pila and Torremans (2019) 14.
[485] Holst (2006) 113.
[486] ibid 134.

the U.S. to adopt the Berne Convention by stating that since the U.S. has until recently been mainly an importer of intellectual property, it has not served its economic interests to protect the rights of producers.[487] Conversely, as the importance of U.S. exports covered by conventional copyright has increased, signing the Berne Convention made sense to ensure enforcement of rights of American artists in foreign nations.[488]

Other notable differences in copyright include differences in copyright doctrine and the role of registration. For instance, the merger doctrine is not explicitly recognized in copyright internationally outside of the U.S. as it has emerged as a common law concept in the U.S. case law.[489] The fair use doctrine limiting the rights of copyright holders is more broadly defined in the U.S. compared to the EU.[490]

5.1.1.3 Trademark Law

Although we refer to trademarks in the EU and the U.S. as if it is an identical legal concept, the semantic content of a trademark on different sides of the Atlantic is not entirely identical. In the U.S. the trademark right is a right of exclusion, whereas in civil law nations, to which many EU member states belong to, a trademark is conceived as a corporeal thing to be owned, intellectual *property*.[491] The U.S. system on trademark protection is based on the consumer's right to be free from deception, adequate incentive to continue using trademarks by the trademark holders, and lastly, rights of third parties to compete.[492] Richard Posner, a leading legal scholar in the U.S., has sided with the view that trademarks are merely identifiers of quality and origin to consumers and not property per se.[493] On the contrary, Pila and Torremans see the function of the European trademark law to extend beyond merely the identifying function since trademark holders' rights include excludability, which justifies their categorization into 'rights of property'.[494] Port attributes divergence in the theoretical underpinnings of trademark law between the U.S. and the civil law countries as a reason for unsuccessful attempts to harmonize protection of trademarks.[495]

[487] Hansmann and Santilli (1997) 142.
[488] ibid.
[489] Samuelson (2016) 417.
[490] McJohn (2018) 33.
[491] Port (2011) 44.
[492] ibid.
[493] Posner (2002) 8.
[494] Pila and Torremans (2019) 74.
[495] ibid 45.

Likelihood of confusion is a universally recognized concept in trademark doctrine although variations in its implementation exist.[496] Despite the universality of likelihood of confusion and evaluation connected to it, some differences connected to this concept between the U.S. and the EU still persist. The U.S. subscribes to a multifactor test to measure likelihood of confusion for trademarks.[497] The thirteen federal circuits all apply their own formulations of the test which means that implementing the concept of likelihood of confusion varies from state to state.[498] In his influential paper, Beebe has lamented the Babelian state of affairs with the multifactor test with different judges short-circuiting the test and has advocated instead a national standard multifactor test to improve predictability and proficiency of trademark infringement.[499] In contrast, the EU subscribes to a unitary test enforced in all the EU member states in measuring likelihood of confusion.[500] This means that the standards by which likelihood of confusion are assessed are more aligned between different EU member states than between the thirteen federal circuits of the U.S.

The U.S. and the EU, both signatories to the TRIPS Agreement, have a diverging stance on the importance of implementing their legislation in accordance with the TRIPS Agreement governing GIs. European vintners have long been vocal critics of the use of European GIs such as Champagne and Chablis on U.S. wines and consequently, the EU has pressured the U.S. to respect the TRIPS Agreement by offering protection to foreign GIs.[501] This battle between the U.S. and the EU on intellectual property protection stems from differing political and economic interests among the parties. Since the EU has one of the most diverse portfolios of protected GIs, it has been in its interest to advocate strong protection of GIs.[502] For the EU, the GIs are indications of origin as sources of cultural and economic wealth.[503] Interestingly, the U.S. has switched its role to being the party that relies on adherence to the TRIPS Agreement as Chinese vintners have registered a U.S. wine mark as a trademark.[504]

There are also differences regarding registration of trademarks in the EU and the U.S. In the U.S. registered and unregistered trademarks receive fairly similar protection.[505] In contrast, in the EU the main point of departure for receiving trademark protection is registration. This

[496] Blakely (2000) 321.
[497] Beebe (2006) 1587.
[498] ibid 1583.
[499] ibid 1585, 1614.
[500] The EUTMR Article 8 (1)(b), recital 11.
[501] Silva (2005) 198.
[502] European Commission, MEMO/03/160, 1, 2–3.
[503] ibid.
[504] Silva (2005) 201.
[505] McKenna (2008) 846.

can be explained historically: traditionally trademarks formed a part of the private sector in Europe, but as the European society became more industrialized, a more formal system with central authority of the state was needed: across Europe, trademark laws started to rely on a system of registration.[506]

5.1.2 Differences in Financial Markets Law

5.1.2.1 Securities Markets Law

European securities markets have remained underdeveloped compared to those of the U.S. for a host of factors.[507] Reasons include obstacles for cross-border transactions such as capital markets remaining a national issue regulated by national corporate law, tax codes, and conflict-of-laws principles.[508] Moreover, EU pension funds have holdings amounting to only half of those of their U.S. counterparts that are key investors in the U.S. capital markets.[509] Also the tendency among household investors to favor investing in one's home country due to legal and linguistic barriers, the home country bias, has kept the EU securities markets less developed compared to the U.S.[510] Measures identified in the CMU have the purpose of making the securities markets in EU more developed akin to the U.S.[511] Additionally, in contrast to significant direct holdings by individuals in the U.S., European markets have been long dominated by institutions.[512] This entails that the U.S. securities regulation has laid heavy focus on protecting retail investors whereas in Europe economic growth has been fueled to large part by a tradition of bank financing.[513] As outlined before, the European Commission has taken steps to create a stronger securities market in the EU by easing the process of raising funds in the EU securities markets and by creating a CMU.[514]

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[506] Pila and Torremans (2019) 344.
[507] Valiante (2016) 28.
[508] European Commission, Commission Green Paper on Building a Capital Markets Union, COM [2015] 63 final (18 February 2015) 2; European Commission, Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of The Regions on the Mid-Term Review of the Capital Markets Union Action Plan, SWD [2017] 224 final (8.6.2017) 6, 21.
[509] Commission staff working document, 'Initial reflections on the obstacles to the development of deep and integrated EU capital markets, Accompanying the document Green Paper Building a Capital Markets Union', SWD [2015] 13 final (18.2.2015) 12.
[510] Commission staff working document, 'Initial reflections on the obstacles to the development of deep and integrated EU capital markets, Accompanying the document Green Paper Building a Capital Markets Union', SWD [2015] 13 final (18.2.2015) 31.
[511] The CMU identified nine regulatory priorities such as reducing regulatory barriers for going public and developing pan-European pension funds to achieve its goal of the EU wide capital market. See European Commission, Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of The Regions on the Mid-Term Review of the Capital Markets Union Action Plan, SWD [2017] 224 final (8.6.2017).
[512] Coffee Jr. (2007) 293–294, 298.
[513] ibid 298.
[514] Horsten (2020) 243.

Interestingly, the U.S. securities market is often viewed as a benchmark for the desired future development of the EU securities market, indicating yearn from the European perspective to approximate the EU securities market closer to the U.S. securities market.[515]

The EU has also lagged behind the U.S. in the area of insider dealing: the first EU-level regulatory measure prohibiting insider dealing was adopted as late as at the end of the 1980s.[516] At the time the U.S. as a 'first comer' had already an established doctrine of prohibitions of insider trading developed through case law and SEC regulations.[517] The more stagnant progress of the EU insider dealing regime makes sense given the slower development of market finance in the EU compared to the U.S.[518] The decision-making mechanisms of the union also played a role: EU member states, especially Germany, were reluctant to adopt a statutory prohibition on insider dealing.[519] At the substantive level, the U.S. Supreme Court has based the prohibition of insider trading on the violation of fiduciary duties not to broaden the scope of insider trading in excess and cause chilling effects on financial markets.[520] In the EU, in contrast, the approach to prohibit insider dealing has been a straightforward rule embracing the parity-of-information approach: any person in possession of private, price-sensitive information, which qualifies as inside information, is banned from trading.[521]

There are also differences in authorities regulating the securities markets between the U.S. and the EU. Regulatory authority in the U.S. has been concentrated on a single federal agency, the SEC, with mandate to formulate policy goals, draft legislation, and carry out enforcement whereas legislation at the EU level has long been the result of negotiation process among the member states steered by the Commission and framed with the participation of the European parliament.[522] Front line market supervision and law enforcement are still in the authority of national financial market supervisors of member

[515] Examples of this tendency of benchmarking the U.S, see for instance Commission of the European Communities, 'Completing the Internal Market' COM [1985] 310 final, 46. Europeans have not been alone in their striving to model the U.S. securities market; for an exhortation to mold the Egyptian financial markets after U.S. security laws and regulation, see Zohny (2000:45–46).
[516] The Insider Dealing Directive was adopted in 1989, see Council Directive 89/592/EEC of 13 November 1989 coordinating regulations on insider dealing [1989] OJ L 334/30.
[517] Moloney (2014) 706; Ventoruzzo (2014) 29.
[518] Moloney (2014) 706.
[519] See Standen (1995:179–184) on a comparative analysis of perspectives on insider trading in the U.S. and EU. According to him (1995:178) insider dealing was viewed as a normal part of conducting business in Europe and especially in Germany.
[520] Ventoruzzo (2014) 29.
[521] Silane (2008) 351–352; Ventoruzzo (2014) 29.
[522] Gkantinis (2006) 9.

states whereas ESMA's tasks include, *inter alia*, the promotion of supervisory congruence and consistency in rule application.[523]

This discrepancy of centralization of regulatory authority between the EU and the U.S. and the SEC's success in overseeing the development of the most sophisticated securities market in the world have caused many commentators to suggest forming a single European securities regulator modeled after the SEC.[524] Again, we observe the reoccurring theme of Europeans' attempts to emulate the success of the securities market in the U.S. Meanwhile, even proponents of the European model of the SEC have recognized that transplanting the SEC as such into the EU would not possible for the vast political, economics, and regulatory differences between the EU and the U.S.[525] Whereas the U.S. was already a strong, unified country with established political and economic ideology and first and foremost a well-functioning single securities market at the inception of the SEC in the 1930s, the European regulatory counterpart would enjoy none of these features as member states are separated by culture and legal tradition and they have been reluctant to give up regulatory control of their securities markets, hindering the formation of a single securities market at the EU level comparable to the U.S. securities market.[526]

The prospectus and market abuse regime, the European equivalents of the U.S. 1933 and 1934 Acts, have assimilated the regulation of securities within the EU to that of the U.S. Despite of this, significant substantive differences between the U.S. and EU approach to securities regulation persist. Securities regulation in the U.S. is heavily based on case law interpreting the 1933 and 1934 Act that centers on the core economic characteristic of an investment contract.[527] EU prospectus regulation is in turn driven by a complicated arrangement of much more recent black letter law that focuses on whether issued units are transferable, standardized, and negotiable.[528] Hacker and Thomale have proposed that the U.S. prospectus regulation more readily addresses questions essential to the functions of the prospectus regulation such as reducing information asymmetries about investment risks compared to EU prospectus regulation that only indirectly touches upon core functions of prospectus regulation.[529] This assertion, although voiced through lenses favoring the native

[523] Maume and Fromberger (2019) 566.
[524] See Thieffry (2001) 15 and Langevoort (2005) 32.
[525] Pan (2003) 501.
[526] ibid 536.
[527] Hacker and Thomale (2018) 17.
[528] ibid.
[529] ibid.

country of Hacker and Thomale, contains at least a seed of truth to it: EU securities regulation and more specifically EU prospectus regime is unquestionably more fragmented by design with multiple layers of legislation and amendments.

Both in the EU and the U.S., it is essential to determine whether a financial vehicle qualifies as a security to know whether securities laws apply. However, the criteria whereby the nature of the financial instrument is evaluated differs significantly between these jurisdictions: in the U.S. the primary tool is the four-part *Howey* test that emphasizes the outcome of a transaction rather than its legal form.[530] In the EU the statutory requirements focus on the transfer of units in the secondary market rather than on the underlying investment characteristics. Since the statutory requirements in the EU are set out in detail, they minimize the possibility of discretion, which is in stark contrast to the more flexible, 'substance over form' approach chosen by the U.S. Supreme Court.[531] Maume and Fromberger have sought to explain this difference by EU lawmakers' aim to achieve a uniform interpretation of securities laws within all the member states by employing detailed criteria on a security.[532] They further argue that whereas the black-letter approach of the EU can offer high level of legal certainty to the markets, applying a 'substance over form' approach of the U.S. in the EU context would result in regulatory divergences between the courts of different member states and thus impede harmonization.[533]

All in all, where the federal statutes governing the primary and secondary securities markets in the U.S. have been applied in the context of a unified, single nation with a vibrant securities market and historically a wide retail investor base, the EU has long sought to integrate the national securities markets of its member states into a single financial market through differing harmonizing approaches entailing a host of directives and more recently, heavier focus on regulations to enable more uniform application of EU securities law. Prohibition on trading on inside information in the EU is more recent but more extensive whereas the U.S. approach is older and more limited in scope.[534]

5.1.2.2 Banking Law

Mistrust of large concentrated economic power, especially in the banking sector, remains to this day for historical reasons as one of the key distinct features of the U.S. banking

[530] Maume and Fromberger (2019) 572.
[531] ibid 566.
[532] ibid 573.
[533] ibid 573.
[534] Ventoruzzo (2014) 25.

system.[535] Although the U.S. banking sector is concentrated on the top with the five largest firms holding 47% of commercial banking assets, there are almost 6,000 community banks, making the U.S. banking sector more fragmented compared to the EU and for that matter, one of the least concentrated banking markets in the world.[536] In contrast, according to Gelpern and Véron, 64 % of the euro area's significant banks represent 61 % of total assets owned by governments, political foundations, or cooperate structures, which are prone to different types of political influence.[537]

Although both the EU and the U.S. constitute a banking union, the historical path preceding their development and the speed of the process differ significantly on different sides of the Atlantic.[538] Whereas the EU started with a vision of single market followed by a monetary union and banking union, the U.S. had well into the 20th century a volatile and fragmented banking sector with two failed attempts to establish a central bank culminating finally in the establishment of the Federal Reserve System in 1913.[539] Only as late as in the mid-1990s with the lifting of prohibitions of interstate banking we can talk about a true U.S. banking union.[540] It took more than two centuries for the U.S. banking union to evolve to its current state and even today, it remains a constant work in process.[541] The institutional development of banking union at the EU level has evolved in contrast at a more rapid pace.[542] The first phase of the banking union in the EU was completed in less than four years: the initiation of banking union took place in mid-2012, key legislation was adopted in 2013–14, and implemented in 2014–2016.[543]

The molding of the banking union in the U.S. has evolved over a much longer period than its recent EU counterpart and therefore drawing parallels between these two forms of banking union can be challenging. Whereas all the euro area banks now obtain their charter or license straight from the ECB, the dual federal-state chartering system with supervisory fragmentation remains in force in the U.S.[544] What follows from this is that whereas establishing the EBU was a fast response to the financial crisis, the crisis response in the U.S. culminated in the enactment of the Dodd-Frank Act seeking to balance decentralization

[535] Barr, Jackson, and Tahyar (2016) 735–736.
[536] ibid.
[537] Gelpern and Véron (2018) 173.
[538] ibid 144.
[539] Barr, Jackson, and Tahyar (2016) 34, 48.
[540] Kirkegaard and Posen (2018) 11.
[541] Gelpern and Véron (2018) 172.
[542] ibid 144.
[543] ibid 144.
[544] ibid 145, 171.

and centralization instead of political commitment to national banking as happened in the EU.[545]

When it comes to variations in the content of the crisis response, the first pillar of the EBU granted the ECB supervisory power over significant institutions as did the Dodd-Frank Act in the U.S. to the Financial Stability Oversight Council.[546] The difference between the approaches of the EU and the U.S. is that the FSOC can designate systematically important nonbank financial institutions for supervision by the Fed under enhanced prudential standards whereas the supervisory tasks of the ECB are exclusively limited to banks.[547] The U.S. approach is better supported by the common notion that other financial institutions apart from banks can also threaten the stability of the financial system.[548] Ferran and Babis have explained the ECB's limited institutional focus on banks by political obstacles to bring about a needed treaty change to TFEU, Article 127(6), to widen the mandate of the ECB as well as by the urgency in the crisis wrecked political climate of the EU to break the vicious circle between banks and sovereigns.[549]

Also concerning the third pillar of the EBU, the history of the European regulation of deposit insurance schemes is more recent than that of the U.S.[550] Whereas the first directive on European DGSs only set a minimum level of harmonization between domestic 'deposit guarantee schemes' in the EU, the current DGS Directive aims to achieve the maximum harmonization of the rules in this field.[551]

5.2 Explaining Similarities of the EU and the U.S.

From differences, I will now turn to identifying commonalities between and among the IP legislation of the EU and the U.S. to give meaning to comparative convergence. This endeavor is inspired by Lundmark's exhortation, 'it is hoped that future scholars will take a more nuanced view of [...] the supposed divide between the common law and civil law worlds without forgetting that all legal systems in both of these traditions have far more in

[545] ibid 144.
[546] For the ECB's supervisory powers, see Article 6, SSMR and for the FSOC's authority to designate nonbank institutions as SIFIs, see Section 113 of the Dodd-Frank Act.
[547] Ferran and Babis (2013) 259.
[548] ibid 259.
[549] ibid.
[550] Morra (2019) 394.
[551] Directive 94/19/EC of the European Parliament and of the Council of 30 May 1994 on deposit-guarantee schemes [1994] OJ L 135/5; Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes (recast) [2014] OJ L 173/149, recital 6.

common with each other than not'.[552] Not all but a majority of the EU member states belong to the Romano-Germanic or civil law legal tradition, whereas the U.S. is with some notable exceptions (such as the state of Louisiana with a mixed legal system) a common law country.

5.2.1 Similarities in Intellectual Property Rights

Congruence has often been assigned as an explanatory factor for variation of compared jurisdictions in comparative literature.[553] Furthermore, harmonization and convergence have been treated separately where harmonization has been viewed as a deliberate process and convergence as evolving without planning.[554] Siems has further distinguished convergence through congruence and congruence through pressure.[555] Convergence through congruence has taken place due to similar social, political and economic circumstances on an international level and manifested by growing interdependencies of societies, cultures, and economies.[556] One can credibly postulate that the U.S. and the EU as representatives of Western capitalist and democratic thought with highly interdependent economies have been faced with similar challenges socially, politically, and economically, thus explaining some of the found similarities in their respective IP regimes. Consequently, despite fundamental differences in the rationale granting IP rights with European approach based on natural rights and the Anglo-American on market utilitarianism, both have engaged themselves in international efforts aiming at achieving a high-level IP protection.[557]

Convergence through pressure on the other hand refers to the influence of international and regional organizations and lobbying efforts.[558] Similarities between the EU and the U.S. in IP law can be at least partly explained by international harmonization of IP law through forming various organizations and agreements governing intellectual property commodities. Consequently, convergence in IP laws is not only expected but a requirement since the U.S. and the EU are parties to international IP agreements such as the Berne Convention and the TRIPS Agreement.

In addition to these more general explanations for convergence in IP law between the EU and the U.S., I will now briefly analyze similarities and factors explaining the similarity

[552] Lundmark (2012) 436.
[553] See for instance Merryman (1999) 26–32; de Cruz (2007) 510.
[554] Antokolskaia (2006) 21, 23.
[555] Siems (2018) 265.
[556] ibid 266.
[557] Kur, Dreier, and Luginbuehl (2018) 10.
[558] Siems (2018) 266.

specifically in patent, copyright, and trademark law of the two jurisdictions under comparison.

5.2.1.1 Patent Law

The requirements of patentability for an invention are fairly similar both in Europe and in the U.S. In the U.S. the invention needs to fall within the scope of patentable subject matter, be useful, novel, and nonobvious.[559] The EPC's four criteria of patentability include novelty, involving an inventive step, capable of industrial application, and not excluded by Article 52(2) and 3 of the EPC.[560] The European criteria of 'inventive step' resembles its U.S. counterpart 'nonobvious' and 'capable of industrial application' is equivalent to 'useful' respectively.[561]

Once again, analyzing historical evolution concerning patent law offers insight into understanding similarities between European and U.S. patent law. The Venetian Republic is thought to have enacted the first true patent statute in 1474 although this legislation codified even earlier practice.[562] It included surprisingly similar elements compared to the current European and U.S. patentability requirements: the invention needed to be new, useful, and reduced to practice, and registration was required.[563] From Renaissance Italy systematic state protection for intellectual property spread first to Continental Europe and later to England and by the 17th century, various European states had enacted similar patent legislation.[564] Through this common origin, the patent law in modern-day Europe and the U.S. are branches of a single system of jurisprudence which makes the similarity in patentability criteria more understandable.[565] By applying the path dependence theory to patent law we see that the shaping of patent law has been influenced by evolutionary change of the past akin to evolution in nature.[566] A similar yet distinct theoretical approach drawing originally also from biology, namely the concept of imprinting, suggests that early features persist beyond subsequent environmental changes, would lead to similar results explaining why patent law in the EU and the U.S. has remained surprisingly unaltered from its origins and consequently,

[559] 35 U.S.C. § 101–03.
[560] Article 52(1) and 52(2) of the EPC.
[561] August, Mayer, and Bixby (2013) 507.
[562] David (1992) 11.
[563] Adelman, Rader, and Thomas (2015) 8.
[564] David (1992) 10.
[565] Prager (1944) 711.
[566] Here I am referring to the path dependence theory rather generally to indicate that 'history matters'. For a more nuanced discussion of the three variations of path dependence in law, see Hathaway (2003) 604.

similar to each other.[567] Although path dependency has been used in earlier legal studies, to my knowledge, this study is one of the first to suggest that employing the theoretical concept of imprinting could also offer explanatory power in comparative legal studies.

5.2.1.2 Copyright Law

Although intellectual property rights are usually territorial in their effects, the basic elements of copyright protection, means to enforce copyright against infringement, and allowing the public to engage in the copyright owner's exclusive rights for various reasons are similar in the EU and the U.S.[568] Similar restrictions on copyright akin to the U.S., the fair use and first sale doctrine are found also in the EU copyright regime although under different names and with slight variations.[569] One explanation to this identified similarity is that both copyright regimes try to achieve a balance with an inherent conflict: the legal rights of creators of copyrighted works and the fair use rights of the general public.[570] Which goal weighs more may vary depending on the circumstances but at least the pendulum swings between these conflicting interests in both jurisdictions.[571]

More specifically on the similarities of copyright, both in the EU and in the U.S., works must own some degree of originality in order to attract copyright protection.[572] The Berne Convention contains no definition of originality but instead leaves the question of originality for courts to decide.[573] How originality has been interpreted by courts in the EU and the U.S. bears resemblance as two distinct requirements for originality have been employed in both jurisdictions. The originality requirement was harmonized in the EU by the CJEU in a series of cases to mean 'author's own intellectual creation'.[574] To identify an authorial work the CJEU relies on a two-stage test: first, the court evaluates whether the subject matter is of protectable type in a way that leaves scope for the exercise of free and creative choices in its creation.[575] Secondly, the CJEU looks at whether the subject matter is protected, which

[567] For an excellent literature review on imprinting, albeit from the field of organizational research, see Marquis and Tilcsik (2013).
[568] McJohn (2018) 33.
[569] According to McJohn (2018) 33, the U.S. fair use doctrine is more broadly defined than in other countries.
[570] Blythe (2006) 128.
[571] ibid 111.
[572] Kur, Dreier, and Luginbuehl (2019) 3.
[573] Guide to the Berne Convention (1978) 17–18.
[574] Case C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] ECR I-6569, ECLI:EU:C:2009:465, paragraph 37; Case C-393/09 *Bezpecnostni Softwarova Asociace - Svaz Softwarove Ochrany v Ministerstvo Kultury* [2010], paragraph 45; Joined Cases C-403/08 and C-429/08, *Football Association Premier League v QC Leisure* and *Karen Murphy v Media Protection Services* [2011] ECR I-10909, ECLI:EU:C:2011:631, paragraph 97.
[575] Pila and Torremans (2019) 253.

involves considering whether the creation involves the exercise of free and creative choices, and bears the personal mark of its creator.[576] In the U.S. the Supreme Court has required originality to be both 'independently created by the author' and 'with minimal degree of creativity'.[577] Requirements for originality in the EU and the U.S. contain similar elements of creativity and independent work. This can be explained by the Berne Convention to which both are parties: even though 'originality' per se is not defined in the Berne Convention, 'original' under the Convention is considered to have meant that the work reflects creativity, and that it is original instead of a copy.[578]

Lastly, although often works resulting from artistic endeavor receive copyright protection, both in EU copyright black law and in the U.S. in case law, the stance has been taken that aesthetic appeal or merit per se is not or at least should not be considered as a necessary requirement for copyright.[579] In practice though, in both jurisdictions judges struggle with ignoring the aesthetic value of a work while judging its eligibility for copyright protection.[580]

5.2.1.3 Trademark Law

Trademark law in the EU and the U.S. shares some similar features. Trademarks in the U.S. and the EU must be sufficiently distinctive to identify and distinguish the commercial source of goods or services from another source.[581]

Blakely has somewhat boldly suggested that international harmonization of trademark law could be even accelerated by creating a global, unitary transnational trademark protection system to better meet the demands of global economy.[582] Although his suggestion is yet to materialize, such a call exemplifies that even in today's world, trademark laws around the world and for our purposes here, in the EU and the U.S., have converged to the degree that

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[576] Case C-604/10 *Football Dataco v Yahoo!* [2012] ECLI:EU:C:2012:115, paragraph 38; Case C-5/08 C-5/08 *Infopaq International A/S v Danske Dagblades Forening* [2009] ECR I-6569, ECLI:EU:C:2009:465, paragraph 45; Case C-393/09 *Bezpecnostni Softwarova Asociace - Svaz Softwarove Ochrany v Ministerstvo Kultury* [2010], paragraph 50; Case C-145/10 *Eva-Maria Painer v Standard VerlagsGmbH* [2011] ECLI:EU:C:2011:798, paragraphs 89, 92.
[577] *Feist Publications, Inc. v. Rural Telephone Service Company, Inc.*, 111 S.Ct. 1282 (1991).
[578] Guide to the Berne Convention (1978) 17.
[579] For EU copyright, see art. 1(3) and recital 8 of Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the legal protection of computer programs (codified version) [2009] OJ L 111/16 (codified version), art. 3(1) and recital 16 of Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC [2019] OJ L 130/92. For the U.S.'s part, the landmark case where the Court held that copyright protection is not predicated on the artistic merits of a work is *Bleistein v. Donaldson Lithographing Co.*, 188 S.Ct. 239 (1903), 251–52.
[580] Van Gompel and Lavik (2013) 10; Walker and Depoorter (2015) 347.
[581] Kur, Dreier, and Luginbuehl (2019) 3.
[582] Blakely (2000) 309.

such a suggestion is not outrageously utopist. However, even Blakely himself admits that his proposal faces various obstacles ranging from purely practical to theoretical and even to moral, he views a system modeled after the EU community trademark a viable option for future development of trademark law worldwide.[583] If his or a similar initiative was to gain wider acceptance, such a transnational trademark protection system would approximate the trademark regimes of the EU and the U.S. even further.

5.2.2 Similarities in Financial Markets Law

5.2.2.1 Securities Law

Despite differences in historical developments leading to the formation of the legal concept security, semantically the definition of a security within the EU and the U.S. is fairly similar.[584] In a comparative legal and linguistic study, Castellano identified three core components of a security that were shared by both jurisdictions.[585] He found that both in the U.S. and in the EU, securities are first, investments that are made to satisfy financing needs and return profits, secondly, these investments are negotiable in the primary and secondary market, and thirdly, they are valuable in the meaning that monetary appreciation is always possible.[586] Castellano attributes this convergence to the high level of interconnectedness among these economies in a global world and to reliance on economic theory.[587]

A plethora of comparative legal studies have contrasted insider trading laws in the U.S. and EU.[588] Both the EU and the U.S. have taken a stance to prohibit insider trading on similar grounds: first, from a micro focus insider trading is seen in both jurisdictions as a breach of the fiduciary relationship of trust and confidence between the insider and the company, and from a macro focus, insider trading is seen to hinder allocation of recourses through price-formation mechanism undermining market efficiency and investor confidence.[589] The concept of 'inside information' as material non-public information appears to be more or less similar both in the EU and the U.S as materiality and publicity are defining elements of inside information in both jurisdictions.[590] The similarities can be attributed to at least two main factors: first, the EU has deliberately sought to model some features of its securities

[583] Blakely (2000) 353.
[584] Castellano (2012) 480.
[585] ibid.
[586] ibid.
[587] ibid.
[588] See for instance Engle (2010), Silane (2008), and more recently Ventoruzzo (2017).
[589] Moloney (2014) 701.
[590] Gilotta (2016) 640.

regulation modeling the U.S. This is not to say that the EU has bluntly copy-pasted its securities regulation from the 1933 and 1934 Acts and from U.S. Supreme Court case law, but the EU certainly has engaged in benchmarking U.S. securities regulation and prohibitions of insider trading. Secondly, the International Organization of Securities Commissions (IOSCO) has produced a set of principles, known as the Objectives and Principles of Securities Regulation (IOSCO Principles) to establish a minimum level of uniformity for any national securities law.[591] This standardization process has been guided by three main aims: protection of investors, fairness and transparency in securities markets, and reduction of systemic risk.[592] As noted before, the first two of these objectives are also strongly reflected in the similar objectives of the EU and U.S. securities regulation.[593]

5.2.2.2 Banking Law

Mitigating moral hazard by subjecting banks to more effective market discipline has been a major underlying rationale for financial services policy in both the U.S. and Europe.[594] Additionally, Miller has argued that banking regulatory supervision and examination in the U.S. and Europe has significantly converged.[595] Among reasons for this convergence, he attributes the shared impact of the financial crisis of 2007–09 as well as the tendency of bank regulators to engage in cooperation and consultation across borders.[596]

In addition to sharing similar features, banking regulation both in the EU and the U.S. can be viewed as responses to crises so that each additional crises has added yet another layer of regulation with the promise of preventing the next crisis.[597] It is as if banks and regulators play an endless game of cat and mouse where the actors in the banking industry try to bend the existing rules and the regulators seek to keep up with financial innovations and remedy regulatory gaps.

A major underlying trend in banking regulation in the EU has been the allocation of power between the EU and its member states with gradual shift to the power of the EU with the EBU representing a major step towards centralization.[598] Similarly, decentralization and

[591] Castellano (2012) 460.
[592] ibid.
[593] For the concern to protect investors in the U.S., see Langevoort (2009) 1025. For equal access to information in the EU, see recital 24 of MAR.
[594] Gelpern and Véron (2018) 176.
[595] Miller (2014) 216.
[596] ibid.
[597] Deipenbrock (2016) 38. cf Bismuth (2016:233) who argues that financial regulation in the EU has been planned legal integration as opposed to U.S. financial regulation which is a sum of crises responses.
[598] Teixeira (2019) 144, 146.

centralization have been competing forces in shaping the U.S. banking union to its current form.[599]

5.3 Concluding Remarks

Winston Churchill stated in a speech delivered in post-war Europe that the only way to achieve peace, safety, and freedom in Europe was through creating 'a kind of United States of Europe'.[600] More recently, Mario Draghi, the former president of the ECB, depicted EU financial supervision in the light of one of the aims of the U.S. Constitution, establishing 'a more perfect Union'.[601] Both Churchill's and Draghi's messages reflect the potential parallels between the EU and the U.S., while simultaneously the fact that Churchill's vision remains unfulfilled, points to the vast differences in historical, linguistic, cultural, political, and economic context in the EU compared to the U.S.

In this study I have analyzed IP law and financial markets law in the EU and the U.S. in comparative context. I have sought to address two interrelated questions, namely first, *to what extent do IP law and financial markets law in the European Union and in the United States resemble each other and differ,* and secondly, *what possible factors explain similarities and differences in IP law and financial markets law in the European Union and in the United States?* I find that similarities in IP law stem from international efforts to harmonize IPR protection as well as from common historical roots especially in patent law while differences are explained among others by underlying theoretical differences of IP doctrine, exemplified by the differing stances concerning the existence of moral rights. Also differences in the objective of IPR protection as well as the divide concerning the role of statutory law and case law between the common law and Romano-Germanic law explain some of the found differences. For instance, the patentability requirements and exclusions to patentability in the U.S. have been shaped by common law whereas in Europe patentability requirements are expressed mostly in positive law. Similarly, prohibitions of insider trading have been mostly developed through U.S. Supreme common law whereas in the EU prohibitions of insider dealing are set out by statutory requirements.

Similarly to IP law, similarities in financial markets law can be explained by international efforts to assimilate financial but also by interconnectedness of both economies. Especially

[599] Gelpern and Véron (2018) 144.
[600] Churchill (1946).
[601] Draghi (2013). The preamble of the U.S. Constitution provides, *inter alia*: "We the people of the United States, in order to form a more perfect union, [...], do ordain and establish this Constitution for the United States of America".

Europeans have sought to model their securities regulation after the U.S. Banking law has been shaped in both jurisdictions by crises and efforts to balance between centralizing and decentralizing economic power. The differences in financial markets law stem from differences in investors, differing levels of integration of capital markets, and regulatory authority. The U.S. has been ahead of the EU in terms of more vibrant securities market overseen by a centralized securities regulator, the SEC, as well as having established doctrine on prohibitions of insider trading. In turn, the securities markets have remained less developed due to a host of impediments to cross-border transactions, long traditions of bank financing, reluctance of member states to adopt statutory prohibitions of insider dealing, and absence of a centralized regulatory and supervisory authority. In banking law, the U.S. banking union has developed over the last two centuries whereas the European banking union has only recently been introduced as a means to further financial integration of the EU.

Due to the unique research design of the study with double comparison, that is comparing both two jurisdictions and distinct fields of law, I have been able to identify some reoccurring themes both in IP and financial markets law. First, the role of international organizations assimilating European and U.S. approaches to regulation became apparent in the course of this study. Both in IP law and in financial markets law, prominent international organizations have played a decisive role in setting a minimum standard in the given area of law. For instance, IOSCO Principles establish the minimum requirements for any national securities law whereas the TRIPS Agreement set a minimum level of protection of intellectual property rights.

The tension between centralization and decentralization has also been evident on both sides of the Atlantic at different times in history. In copyright legislation as well as in financial integration, the EU has sought to create a unified, strong internal market while reconciling national interests of individual member states. Similarly, the path to establishing the Fed in the U.S. was marked by a battle between forces favoring centralization and those wanting to keep the economic power dispersed in individual states.

On several occasions during this study I noted that legal terms can take on different meanings depending on the jurisdiction. Fundamental concepts such as ‘trademark’, ‘bank’, and ‘security’ were found to have different yet similar meanings in the EU and the U.S.

Some of the central themes that emerged in the course of this study are summarized in Table 1 with some illustrative but by no means exhaustive examples.

Themes	**Force towards similarity or difference between the EU and the U.S.**	**Examples from this study**
1. Convergence of laws through international treaties and organizations	Similarity	-Minimum requirements for any national securities law (IOSCO Principles) -Minimum level of protection of IPR (e.g. TRIPS, Berne)
2. Economic interests driving legislative choices	Similarity when affects ratifying international conventions, under other circumstances, can lead to similarities or differences	- The EU has advocated strong protection of GIs due to having a diverse portfolio of GIs - When the U.S. was mainly an importer of intellectual property, it did not serve its economic interests to protect the rights of producers. As the importance of U.S. exports covered by conventional copyright increased, signing the Berne Convention made sense for enforcement of rights of U.S. artists in foreign nations
3. Centralization vs. decentralization	Unclear, can lead to similarities or differences	-The Fed created late in the U.S. due to fears of centralized power -The EU's path to creating an EBU through harmonization -Stagnation of the EU insider dealing regime due to reluctance of member states to adopt a statutory prohibition of insider dealing on the EU level
4. Deceitfully similar yet content wise differing legal terms	Similarity although can be different	'trademark', 'bank', 'security'

Table 1. Main themes of the comparative study.

5.3.1 Suggestions for Further Research

Building on this study, future studies could widen the scope of the comparison by increasing the amount of compared regions or countries while maintaining the substantive matter of comparison, IP and financial markets law. For instance, including China in the regions to be compared could offer a more nuanced comparison as China has gained a notorious reputation for having adopted a diverging outlook on the protection of IPR rights compared to most

industrialized countries.[602] China's mixed economy holds potential for an insightful comparison of regulation on financial markets as the supremacy of the market economy based approach hailed by the U.S. has been challenged by China's strong economic growth despite embracing elements of both planned economy and market economy. In addition, the approach adopted in this study to include more than a legal concept or field of law exemplifies that conducting comparison on a wider scale, 'meso-level comparison', for lack of a better word, can be a fruitful approach to gain an overall picture of differences and similarities of fields of law while enabling comparisons both within regions/countries as well as within the fields of law themselves. Such additional comparative aspect can under some circumstances lead to unanticipated yet useful insights that might have otherwise been overlooked.

In addition to the academic contributions of this study, the study has implications for practitioners of different sorts. First, the study offers a fairly comprehensive yet summarized analysis of the differences and similarities of the EU and the U.S. law in the fields of IP law and in the area of financial markets law. The systematization resulting from this study can in and of itself add value for practitioners wishing to gain a perspective into the divergence and convergence of the studied fields. This study could serve as a starting point for a corporate lawyer considering whether to initiate the IPO process in the U.S. or within the EU in his or her client's behalf. Companies considering the pros and cons of either filing for a patent in the U.S. or in an EU member state could equally find the insights from this comparative study useful.

5.3.2 Limits of My Language — Limits of This Study

I have aimed at conducting a systematic and impartial comparison of the relevant law in the EU and the U.S. The findings of this study are, however, one possible interpretation of the differences and similarities of IP and financial markets law of the EU and the U.S. Although I do not subscribe to a strict Legrandian view that the task of a comparatist in understanding a foreign legal system, 'the other', is a mere impossibility, some of my possible preconceptions might have colored the conclusions. Yet I have found some relief in the

[602] See Peng et al.'s (2017) study on historical parallels between the current stance on IPR protection of China to that of the yet developing U.S. in the nineteenth century that approved of widespread IPR violations and why it might be in China's interest akin to the U.S. of the nineteenth century to voluntarily improve its level of IPR protection. Yet we should be cautious about assuming that historical patterns are bound to repeat themselves since the context of future events will never be perfectly identical to the circumstances of the past (Kekkonen, 2008:35).

realization that striving for otherness-awareness might have at least reduced some of the biases inherent in this study.

The main language used in analyzing legislation and case law has been English. Although I have striven for accuracy in using legal terms, the familiarity of some words from ordinary use surely has at times deceived me into false sense of *Verstehen*.[603] This is aligned with Ludwig Wittgenstein's famous notion of language as a boundary condition in that, 'The limits of my language stand for the limits of my world'.[604] Slightly modified, I conclude that the limits of my language stand for the limits of my world of legal thinking.

[603] I am using the German term *Verstehen* (in English: to understand) here in the way it is understood in anthropology, that is how an outsider of a culture tries to relate to the culture and make sense of it.
[604] The original sentence in German, 'Die Grenzen meiner Sprache bedeuten die Grenzen meiner Welt' (Wittgenstein, 1922, 5.2).